'There is an area in which societal responsibility is confronted with a paradox: private standards'

Pascal Lamy, Director General, World Trade Organisation

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SOCIETAL RESPONSIBILITY

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Booklet n°3

Booklet n°3
Societal Responsibility

Preface

Social responsibility and world trade: should the WTO be regulating private standards?

Pascal Lamy
Director General, World Trade Organisation (WTO)

There is an area in which societal responsibility is confronted with a paradox: private standards. These standards are created by enterprises and other NGOs for many reasons. For example, they may be developed in response to the new demands of consumers, who are calling for constant improvement in the quality of products coupled with greater attention by industrial groups to social and environmental ethics. They may also form part of a harmonization effort aimed at enabling enterprises to achieve economies of scale by adopting common production standards. In any case, this profusion of private standards is the result of market mechanisms, generally observed in the developed countries. But once these increasingly stringent western standards take over a sector, exporting enterprises in the developing countries come up against access barriers, since quality standards and certification processes tend to push production costs upwards[1]. For enterprises whose main advantage in world trade remains their cost competitiveness, the consequences can be serious.

[1] It should be noted that the developed countries have stressed the difficulties sometimes encountered by their own small producers when it comes to applying these standards.

Standards that were originally intended to generate progress can end up constituting an unexpected obstacle to development. When this kind of thing happens, economic theory would tend to call in an external regulator to correct the market failure. Should that be the job of the WTO? The issue re-emerged in discussions initiated by Saint Vincent and the Grenadines in response to the stringent standards imposed by supermarket chains on small banana producers. Certain Members pointed out that these standards had in effect become mandatory: suppliers that failed to meet them could abandon any hope of placing their products. When a company's standards turn into non-tariff barriers to trade (NTBs), should not the WTO be competent to deal with them, even if WTO agreements apply generally only to States? While several developing States would like it to be the case, numerous WTO Members continue to oppose this approach.

Although this issue can only be settled by consensus among Members, there are a number of ways in which we can start approaching the subject. Let us begin by looking at where international law stands with respect to private standards, before exploring specificities of the WTO Agreements in this regard.

International law and private standards

Public – private interface in international law

With private actors playing a dominant role on the world scene, nations and international jurisdictions are gradually acknowledging the need to accept some form of State responsibility for private actions with a harmful international impact.
The International Court of Justice has already moved in that direction by developing a bundle of indicators. In the case «Application of the Convention on the Prevention and Punishment of the Crime of Genocide»[2], the Court followed the responsibility criteria laid down by the International Law Commission, namely that a State may be convicted in lieu of a private entity that is a national of that State when the entity in question is treatable,

[2] Bosnia and Herzegovina vs. Yugoslavia (Serbia and Montenegro).

de facto, as the public authority, or when it is acting on direct instructions from the State.
A parallel principle of responsibility can be found in different forms in GATT/WTO law, both in the agreements and in the case law, in spite of the intergovernmental nature of the institution.

Private standards under the GATT system

In 1947, Article XVII of the GATT established the status of State trading enterprises, stipulating that they must act in a manner consistent with the provisions of the Agreement in all of their trading activities.
In 1988, the GATT Panel in *Japan – Trade in Semi-Conductors*[3] considered that the responsibility of the State should in fact extend beyond *de jure* State enterprises. It set out cumulative criteria to identify situations when actions by non-state actors are «attributed» to States and thus become «governmental measures» under the jurisdiction of the GATT: according to this GATT panel, the State's responsibility must be entailed when compliance with the disputed standard is the subject of «incentives or disincentives»[4] by the State, and when the standard setting is guided by Government «action or supervision or monitoring».[5]

Private standards under the WTO agreements

This form of attribution to the State for actions and measures taken by non governmental actors was subsequently recognized, to different degrees, in two specific WTO Agreements: the Agreement on Technical Barriers to Trade (TBT) and the Agreement on the Application of Sanitary and Phytosanitary Measures (SPS).
These agreements enable Members to establish standards aimed at protecting the life and health of persons, animals and plants, but without unjustified national discrimination and provided such standards do not constitute disguised trade restrictions. Possibly these agreements could cover at least some of the private standards potentially harmful to the developing countries.

[3] European Communities vs. Japan L/6309
[4] Report of the Panel adopted on 4 May 1998 (L/6309-35S/126), paragraph 109.
[5] Ibid.

Under these agreements, Members have an obligation to take all «reasonable measures» to ensure that non-governmental entities within their territories comply with the provisions mentioned earlier. Similarly, these agreements prohibit governmental measures which have the effect of requiring or encouraging non-governmental entities to establish standards that are inconsistent with those provisions.

Some Members therefore consider that, within WTO, governments are responsible for ensuring that private actors respect the commitments made under the SPS and TBT Agreements (a view that remains opposed by delegations pointing out that such intergovernmental agreements are not applicable, by nature, to civil societies).
The TBT Agreement even goes a bit further than its SPS counterpart: Article 4 requires that Members encourage[6] the private sector to commit itself *formally* to the letter of the Agreement by complying with the Code of Good Practice for the Preparation, Adoption and Application of Standards[7].

However, the extent of this governmental responsibility remains an open question. What is meant by «reasonable measures»? Are they simply transparency measures aimed at ensuring that all enterprises are aware of the content of the agreements, or are States supposed to prohibit private actors from developing standards that go beyond what is strictly necessary? If Members are unable to agree on this public responsibility and a dispute arises, it will be up to the WTO Appellate Body to interpret the existing rules. Countries will then be called upon to take position on the basis of that jurisprudence.

[6] Here again with «reasonable measures».
[7] Code annexed to the TBT Agreement.

Food for thought

In order to prepare for a possible recognition of the principle of the responsibility of governments for private standards issued by organizations under their jurisdiction, we need to look ahead. How would we go about it, and what would the consequences be? The answer is far from obvious.

First of all, we need to define clearly what is meant by «organizations under their jurisdiction» as used in these two agreements. We know that international law has yet to solve the problem of who should be responsible for an enterprise of French origin with headquarters in New York and a German manager, imposing an excessive standard in Australia?

And once this first question has been resolved, the scope of application of that responsibility would still have to be decided. Would it extend to all categories of standards and private actors? We can expect a debate on that issue, if only because for the sake of due process, we would have to give rights to private actors in compensation for these new obligations – while developing countries have thus far always opposed the participation or private companies in the WTO. But unless clear rules of attribution to States are designed, private standardising bodies cannot be expected to be attacked in WTO dispute settlement procedures without being granted a right of defence, not to say a right to institute proceedings, under the WTO.

And then, should all Members be subjected to the same degree of responsibility? Since WTO law provides for special and differential treatment in order to relieve the developing countries of some of their obligations, should that asymmetric treatment not be applied to the control of private standards? Indeed, a least developed country can hardly be expected to exercise the same degree of surveillance as a rich country.

Quite apart from the observation and control costs, in a country with a liberal economic tradition, this increased surveillance of the private sector would amount to a mini cultural revolution. Thus, we can expect many Members to highlight the technical

difficulties and financial burden of such surveillance as an argument for rejecting, for a long time to come, any development involving an extension of government responsibility for private standards.

But it is not only development issues that argue in favour of State involvement in standard-setting. For example, public standards, particularly when they become international, have a unifying effect that is conducive to economies of scale for enterprises. This explains the energy with which the issues of equivalency and mutual recognition of standards are discussed at the WTO, and the expectations on the part of the private actors themselves.

Conclusion

In the GATT intergovernmental system, regulation of international trade may have seemed quite simple: nation States agreed on tariff reductions just as they negotiated arms reductions. That world has disappeared for two reasons: firstly, tariffs no longer constitute the key trade protection instrument – non-tariff barriers (quantitative, such as quotas, or qualitative, such as production standards) have proved more efficient and more discreet. Secondly, the private sector has acquired a legal status that sometimes places it on a par with governments when it comes to regulation. This illustrates what is at stake when we talk about societal responsibility: more and more powerful enterprises and NGOs create standards that are sometimes fraught with consequences for the developing world. Should we rely on the private sector to regulate itself and control the impact of its standard-setting activities in the name of a moral societal responsibility? Or should we ensure that those standards are neutral with respect to development by imposing a legal responsibility on enterprises, on the States which host them, or both? In any case, the issue certainly merits our reflection.

Foreword

The economic, financial and social crisis we are going through is intense and global. As a consequence it calls for an in-depth consideration. The temptation to solve it through regulation using the classic mechanism of "hard laws" is currently at the forefront of the political and media scene.

However, it appears more and more likely that other efficient solutions exist to deal with this systemic crisis. Indeed, the societal responsibility which will soon have its own standard (ISO 26 000) might very well serve as a support towards responsible behaviour for all actors in society. Therefore, instead of managing economic, political and social actors closely and by sector, global responsible behaviour could be induced throughout the whole socio-economic system. The system which has become extraordinarily complex and interconnected would thus probably become more stable.

Starting from the fact that all complex systems are more than the mere addition of their components, it is unquestionable that principles, rules and standards regulate precisely the interaction between these elements, thereby giving the whole a superior power. It is assumed in this booklet that societal responsibility holds precisely this role of superior link.

As Geneva is host to several international organisations, which are responsible for global governance through the setting-up of rules and standards, it is clear that Geneva plays a privileged role by participating in the understanding of challenges and their fulfilment through solutions harmonious for all. Due to its unique situation, Geneva and its community of inhabitants take on a certain responsibility towards the World.

We are however aware that nation States and the international community want to and must regulate one sector or another of the economy or society but, in this booklet, we are particularly interested in the whole global system from the point of view of its complexity and governance. The question is more "thinking about the crisis rather than putting a bandaid on the crisis".

By giving the floor to personalities in the forefront of the international arena, like Pascal Lamy (Director-General of the World Trade Organisation), Juan Somaria (Director-General of the International Labour Organisation), Alan Bryden (former Secretary-General of the International Organisation for Standardisation/ ISO) or from civil society like Beth Krasna (Thinking Ethics) or, else from the banking sector like Ivan Pictet, we intended, in this booklet of the *Fondation pour Genève*, to contribute, in an original manner, to the central debate on the governance of our globalised society.

The publication of this third booklet from a series of four shows the willingness of the *Fondation pour Genève* to contribute to the important debates that impact the future of our societies. Both didactic and avant-gardist, these booklets raise major contemporary issues while providing often strenuous avenues of reflection.

It is our duty to anticipate the evolution of our world through an exchange of thoughts, and this is all the more important that Geneva has, on several occasions, historically been at the crossroads in the emergence of major principles of governance.

By disseminating these considerations broadly, the *Fondation pour Genève* hopes to associate you with this endeavour.

We wish you a pleasant reading.

Tatjana Darany
Director general
Fondation pour Genève

A new beginning II

In a "transformational" world, according to the expression brought back into fashion by Colin Powell, what counts is the capacity of each and everyone – a company, a state, a civil society organisation and a citizen – to voluntarily act in a responsible manner. By privileging "moral constraint" society evolves towards more responsibility.

And so we leave a world which is too often dominated by "the carrot and the stick" characteristic of the transactional contract, for another based rather upon societal responsibility. Without imposing a new overly regulatory framework, the world will be able to transform itself permanently.

Societal responsibility will be at the core of this metamorphosis. For sure, today's major financial and economic crisis will have consequences on society and its organisation. Attempts towards more regulation are numerous, the taking-over of markets by

nation States is tangible. But as this crisis is of a systemic nature, it is the issue of behaviours adopted by actors of the whole system which will count more than the regulation of industry sectors. And even if we were able to impose norms on individual actors, the system in its whole would still not be regulated.

It is precisely here that the basic rules of responsible behaviour can make a difference, for once they have been set, they will enable the financial and economic markets – which are complex systems – to reach their stability. These behavioural rules are known and based on "societal responsibility" principles. The stakes are therefore high since the transformation of the world depends on it.

The stakes

In the last several decades, and despite setbacks linked to the current economic crisis, society in its whole and companies in particular are at the heart of a change in values linked to social, environmental, and ethical responsibility, which tends to restructure behaviours in international exchanges and relations. This phenomenon is called "societal responsibility". Whether it be at the level of trade, cultural and financial exchanges, international agreements governing labour law, the production and distribution of goods and services or at the level of human rights, corruption or the ecological footprint, everything is from now on a question of societal responsibility.

For a long time it was perceived by business as an ethical step, like a just and decent behaviour, steeped in compassion or maybe some degree of concern for its image. The concept has since evolved towards a commitment of "just good business" as described by The Economist[1] in January 2008. This change of paradigm to a full and complete acceptance of the societal responsibility by States, companies, and various civil society organisations is a decisive and memorable turning point of our times. Indeed, the values conveyed by this new behaviour are universal and will structure the complexity of exchanges more efficiently than any piece of legislation generated by a sovereign parliament. We are, therefore, at the heart of modern "soft" governance processes as described in our first two booklets

[1] Report published on 19 January 2008

because "societal responsibility" is essentially of a "soft law" nature created by and to fulfil the needs of "multi-stakeholders" in global governance.
The United Nations Millennium Declaration[2] drafted in Davos by the main leaders of the economic world at the time is the first marker attesting to this change in paradigm. The economic and financial crisis, which resulted in a pause in the process, will undoubtedly serve as an accelerator. The set-up of the "Global Compact[3]" should therefore serve as a vehicle of change . The challenge is well defined. Still its effects remain to be measured. "Accountability" should be the answer to this requirement.
As soon as corporations agree on the goals to be reached (in that regard, the ISO 26000[4] standard should provide the formal framework) then the question of their capacity to account for the progress accomplished will then be all the more important.

The whole process of introduction of the new values, far from being completed, is rather in full development as this movement is in process and therefore not yet set. Knowing its origins and knowing the structuring factors that already exist and which will promote its emergence enables us to grasp what is at stake.

Throughout the following pages, we will cast light on these various issues with the support of testimonies provided by actors engaged in this domain before assessing the concept of accountability[5], a kind of new societal accountancy, and concluding on regulation as a means to stabilise complex environments pertaining to the management of the world's business.

[2] www.un.org/millennium/declaration/ares552e.htm
[3] www.globalcompact.org
[4] www.wikipedia.org/wiki/ISO_26000
[5] www.iso.org

The emergence of a concept

While today the expression "responsabilité sociétale" is commonly used in French, it is otherwise in the Anglo-American world in which the term "social responsibility" remains the standard expression. These two designations however cover the same idea, but we preferred, in this text, the expression "societal" rather than "social" in order to better state the multiple fields of responsibility which, henceforth, concern the society in its whole. Before, the expressions "corporate social responsibility" or "responsabilité sociale des entreprises" in French were obviously very often used in the corporate field, but as they excluded, de facto, all other forms of social organisations arising from public authorities, NGOs or even civil society; it turned out that these expressions narrowed the field of action of societal responsibility solely to the direct environment of corporations. Yet, this notion was certainly reductive. We will therefore use, in general, the term "societal responsibility" in this booklet to express this change in the approach, except in some specific cases which will be then specified.

The establishment of new values is far from being achieved.

Historically, the long road of commitment and societal responsibility can be declined in five distinct phases even if they have sometimes tended to overlap:

– A first phase, named entrepreneurial "compassion" phase, developed at the beginning of the industrial era around humani-

tarian, educational and social concepts. The objective was to respond at the same time to claims formulated by trade unions on conditions of work, child labour and buying power but also to the challenges of the 19th century focusing on the access to education for all and to the humanitarian issues related to poverty and the exodus of populations towards the cities. This stage is essentially characterised by the "paternalistic[6]" awareness of businessmen. Being closely involved locally and in the field, they often reacted and responded specifically to the new expectations but not in a long-term perspective. Crisis situations followed one another and, as a consequence, employers felt the need to organise. As the State was still not much involved in these affairs, numerous agreements between social partners were signed without its support.

– Then, an "international" phase was launched with the adoption of major international conventions relying on the principles of human rights and labour rights. This was the case in particular of the following: Forced Labour Convention (1930), Universal Declaration of Human Rights (1949), Equal Remuneration Convention (1951), Discrimination, Employment and Occupation Convention (1958), International Covenant on Civil and Political Rights (1966) and International Covenant on Economic, Cultural and Social Rights (1966), ILO Convention No. 138 Minimum Age (1973), International Convention on the Elimination of all forms of Discrimination against Women (1979). This phase of major international conventions obviously is still today the basis of principles and laws affecting the behaviour of companies throughout the world. This phase remains the foundation of the evolution of the process and now serves as the inspiration for the large ideas of societal responsibility.

– A third phase started with the major battles led by consumer organisations (Lemon Law, 1964). This phase distinguishes itself from the previous ones by the appearance of new actors into the arena of societal responsibility, namely organisations defending consumers' rights. Since the 1960's numerous laws

[6] Mc Hugh and de Ballet and de Bry. See Bibliography.

have been enacted at the national level to ensure the protection of consumers in each country. But the protection activity did not end there, as at the international level a wide set of recommendations, norms and standards were developed. The result of these actions led to the standardised labelling of goods, in particular those in the food retailing industry and later continued with the automatic labelling of all goods. Today the traceability of goods, partly implemented, remains a central and often debated question. Similarly, "fair" trade is an answer to consumers' need to know the producer better in order to support him/her. This change of paradigm progressively led companies to pay greater consideration to and therefore to be more responsible in subcontracting, which is now widely scattered around the world. The issue of quality and origin control has therefore become a key element in entrepreneurial responsibility. The success achieved by the ISO 9000 standard on quality management bears witness to this fact.

– A fourth phase was set in motion in the 1970's on the question of the environment which, since then, has not ceased to intensify thereby creating a genuine issue in society. This phase also witnessed the appearance of new actors: NGOs, for sure, but also scientists. This phase could be qualified as that of the "emerging environmental awareness". ISO 14000 and then ISO 14001 defined its outlines at the level of the standards to be implemented. The issue of the environment has taken a new shape under the scientific pressure on climate change. Findings in scientific reports and statements adopted by the Intergovernmental Panel on Climate Change (IPCC), mandated by the UN, came as a bombshell. "(...) Men and human activities are not exempt from their responsibility in climate change (...)". Whether or not we accept these findings, one must recognise that the political discussion took a completely different turn. Indeed, the issue today is to fight the growth of the greenhouse effect. The findings made by these experts have been accepted by populations and public authorities. The latter have established new goals which will follow those set in Rio, Kyoto and Copenhagen. The environment and climate change issue has moved to the heart of public debate. This does not mean

that views adopted by some will not continue to create waves and tensions, but it does mean that the search for solutions has gained the upper hand over the initial phase of diagnosis. And so two trends of thoughts on "how to proceed" are in opposition today. The first one – conservative – supports the adoption of a legal framework and the imposition of new taxes in accordance with the "polluter pays" principle. The other trend of thought – more progressive - is in favour of finding solutions through technological innovation and scientific progress. This trend announces the development of a green economy (Clean Technology). The current debate has not yet concluded on which path to follow. We will undoubtedly move towards a compromise arising from the two movements: innovation framed by a set of laws and governmental incentives. But, in the long term, it is a safe bet to say that scientific and technological innovation will be the solution to the problem. In the meantime, everyone's societal responsibility will have to play a part.

– The fifth phase started with the Millennium Declaration and the establishment of the "Global Compact" programme. This phase can be distinguished from the previous ones by a joint initiative of global enterpreneurs and international officials. The first proposals were formulated at the the Davos World Economic Forum. This phase constitutes, in a certain manner, a top down approach as opposed to the previous two bottom up phases. Thus the United Nations and the big corporations involved in the "Global Compact" project are taking the initiative by integrating the various modern components of societal responsibility. From now on, we can rely on Charters for matters related to working conditions, the consumer, investors, the environment, States and international trade rules. The future ISO 26000 standard which will be launched in 2009/2010 will precisely deal with these concerns as its main focus. Big corporations have already anticipated this movement by integrating these basic principles and produce annual reports showing the state of progress achieved each year. Today's crisis will lead to a new phase whose main lines will be outlined in the third part of this booklet. We will now first take a look at the various aspects of these principles.

Laws/Conventions

The Sarbanes-Oxley Act
The Sarbanes-Oxley Act (SOX) was enacted in 2002 immediately in the aftermath of the Enron (2001), Andersen (2002) and WorldCom or Parmalat (2003) scandals to give confidence back to shareholders, creditors and employees who suffered a prejudice during the numerous financial scandals. Regaining their confidence entailed the establishment of radical reforms in business governance. It required from all companies listed on the US Stock Exchange to present to the US Securities and Exchange Commission (SEC) accounts personally certified by the company's principal officers. This act also affects the 1,300 European groups which have interests in the United States by making company managers responsible from a criminally liability point of view for their published accounts. It also specially guarantees the independence of auditors with regard to the pressure which they may (and do) face from company managers.
http://en.wikipedia.org/wiki/Sarbanes-Oxley_Act

The "Lemon laws"
The "Lemon laws" are American state laws which provide a recourse for purchasers of cars. The federal lemon law (the Magnuson-Moss Warranty Act) protects citizens of all American states who purchased cars that repeatedly fail to meet standards of quality and performance from non complying car manufacturers. The rights afforded to consumers by lemon laws may exceed the warranties expressed in purchase contracts. Lemon laws became the common nickname for all laws that protect consumers.
http://en.wikipedia.org/wiki/Lemon_law

Methodological tools

Agenda 21
In 1992, during the Earth Summit held in Rio de Janeiro, 173 countries voted to adopt the Agenda 21 programme (known in French as Action 21). It is a declaration which sets forth a programme of action for the 21st century in a wide range of fields in order to provide guidance for a sustainable development of the planet. Agenda 21 lists approximately 2,500 recommendations at the level of territories in relation to health, housing, air contamination, management of seas, forests and mountains, desertification, management of water resources and decontamination, management of agriculture, management of wastes.
http://en.wikipedia.org/wiki/Agenda_21

The Ecological Footprint
The Ecological Footprint is a resource management tool which measures the land and water that a human population needs to sustainably produce the resources that it consumes and to absorb the corresponding wastes in the context of existing technologies. The Ecological Footprint helps decision-makers in a more specific and fair manner towards a social and environmental justice and provides a systematic method to measure resources, a tool which may help us plan a world in which we can all live, within the limit of the resources available on our planet.
http://en.wikipedia.org/wiki/Ecological_footprint

SSW (Switzerland)
The Foundation for socially responsible business conduct SSW is the Network for socially responsible business conduct in the economy. This network established in 1999 has developed inexpensive methods and tools that enable firms of all sizes and from all sectors of business to assess their social performances, develop specific instruments to communicate with employees, customers or the public.
http://ssw.ecos.ch/

The Sustainable Balanced Scorecard
The term "Balanced Scorecard" was publicised by Professor Robert Kaplan from the Harvard Business School and David Norton, a management consultant. It became a guide for governments, activists and even companies. It is a control and measurement tool of corporate social performance which, thanks to the reporting and management functions, allows a company to "appear in the eyes of investors as a profitable and socially responsible company". This performance system is popular thanks to its simplicity and provides a frame for a better integration of the concept of sustainable development.
www.sustainablebalancedscorecard.com

The Carbon Disclosure Project (CDP)
The Carbon Disclosure Project was launched in 2000 by a non-profit organisation which today groups together 315 institutional investors, including a great number of major international banks in order to take action to prevent risks and costs related to climate change. Its methodological tools are based on the calculation of greenhouse gas emitted by the largest companies around the world. With the publication of annual reports and methodology, the function of the Carbon Disclosure Project is double: a technological surveillance of companies regarding the environmental impact of their hydrocarbons but also a reporting methodology of progress achieved to reduce them.
www.cdproject.net

The principles of responsibility

Several principles govern contemporary "societal responsibility" and some, as we have just seen, have a long history. However, since the new millennium started, the line of thought has taken a new turn. Indeed, societal responsibility, in particular that of companies, has become an issue of "good" business more than an "imposed" business. Today, it has become inconceivable for a company, an NGO, an administration or an international organisation not to act within a set of well established and shared principles. This necessity refers no longer to the values carried by a few enlightened personalities, but to those carried by a set of individuals acting inside and outside of an organisation, an agency or a company. The assembly of these adopted principles even expressing the identity of these entities. We will mention in the following paragraphs the main lines of thought which sustain the new values of societal responsibility. Some of these principles are endogenous (specific to the entity), others are exogenous (coming from the outside and thus from society). We will represent them in no particular order.

The moral constraint

The moral, ethical and humanitarian values have always been present in discussions related to societal responsibility. Taking their roots in religion but also in humanist values, morals and ethics jointly form the founding pillars of societal responsibility. Providing a solid basis for fair behaviour, morals and ethics forged the formation of human activities and therefore shaped the

constitution of its institutions. Be it in States' fundamental laws, companies' "mission statements" or NGOs' founding Charters, we find these same scales of values on which activities can be developed in a coherent manner.

In the 1980's, a major change arose with the creation of the first university chairs on the teaching of ethical principles in economic sciences or management faculties. The Institute of Business Ethics (IBE) in England under the impulse of Philippa Foster Back[7] in 1986 is, to our knowledge, the first initiative which symbolises best this change of behaviour in the academic world. Today, there is almost no university which does not offer a course on corporate ethics. This sudden movement and the generalisation of the recognition of ethics can be explained by a certain number of incidents which occurred in the business world at the global level. Indeed, with the increased pace of globalisation, some companies came face to face with numerous abuses, in particular child labour, inequality in the treatment of women, insufficient or bad communication, but above all, hasty operations of relocation which shook the public opinion starting in the 1970's. Corporate ethics thus became an urgent matter. This led, in any case, to the appearance of a change of behaviour on the part of businessmen and their need for training in that respect.

Quality control

With globalisation, companies had to face another problem linked this time to the quality of products put on the markets and in particular the quality offered by subcontractors. Indeed, as companies dealt with increasingly global markets, with their subcontractors scattered throughout the world, quality control became extremely difficult. Public opinion and particularly NGOs sought to make them more responsible for quality control and for the traceability of their products from a commercial, legal and ethical point of view. Companies had to make further efforts to integrate these issues. This requirement was greatly supported by the establishment in 1987 of the ISO 9000 standard at the international level which allowed a clear improvement of quality control within the value chain, in particular at the supply level. Each company had

to improve its performances and raise the awareness of its staff to accede to a quality management certified by ISO 9000[8] and then 9001 standards. This monitoring effort enabled a distinct reinforcement of company performance while combining quality requirements throughout the production chain of their product. This long process, which was rather onerous for companies engaged in world competition, was firstly to restore the confidence of the markets and meet the needs of the customers. This voluntary approach conducted by companies enabled millions of them to engage in societal responsibility.

Fair trade

Even though this expression has strong connotations, fair trade has an impact that goes far beyond its own reality. Indeed, fair trade has established new relationships between consumers and producers (above all in South America and in Africa). These markets now more involve the consumer who through his/her purchase tends to favour and actively support the producer. The concept of fair trade changed the perspectives for all commercial activities. Since the consumer is interested not only in the products he buys but also by who produced them and by the corresponding production and labour conditions, we inevitably end up with a change of paradigm. The entire chain of trade was affected, starting with the middlemen and their role which has been put to test. The fair trade label guarantees to the consumer that by paying a higher price for the products, the producer's living conditions will be improved. This behavioural change enabled a better traceability of the products and it has become ordinary today to know the origin of the products and even to follow their route. The more available the information, the more reassured the consumer who is then ready to pay for this transparency. This practice will certainly continue to evolve and will even lead companies to use their experience as a way of doing business and their product as a powerful didactic tool. The products which were previously presented as a mere added value are today experienced by the

[7] www.ibe.org.uk/team.html

[8] The author Willy Sussland in "Le manager, la qualité et les normes ISO" even mentions "ISO 9000 Rentable" with a total quality approach – 1996 at the Presses Polytechniques Universitaires Romandes.

consumer as a genuine acquisition of measurable knowledge. As the customer becomes more responsible, he/she adopts at the same time a planetary perspective of responsibility. Indirectly, corporate societal responsibility pertaining to the quality and morality of proposed products has been consolidated thanks to the multiple battles launched by consumer organisations.

Equal treatment

Child labour and the economic imbalance arising from differences of salaries throughout the world, inequality in the treatment of minorities, the appearance of new forms of modern slavery, trafficking in women, corruption, deprivation of liberty, all remain today extremely important problems. Of course, inequalities in the treatment of women and men, racial problems, ethnic clashes, intergenerational difficulties (the young and the old) have made some progress, but there still remains a huge effort to be done. Companies, in particular those operating at the global level, find themselves in the position of a privileged actor. They can to a large extent impose their own ethics on local or national practices from an outdated time. Global corporations have become the spearhead of a universal revolution: the fight for the equality of treatment.

The Millennium Declaration as initially outlined by entrepreneurs at the Davos Economic Forum in 1999 then by the UN at the occasion of the new millennium serves today as a charter for new behaviours. Thanks to the support and the establishment of an organisation to support and promote these new concepts, the "Global Compact", not only the business world but also NGOs and government circles have engaged in an irreversible process. Founded on "soft governance" principles on a voluntary, non coercive and non-binding basis, this movement spread to the major global corporations, international governmental and non-governmental organisations. In a multi-stakeholder type effort, these organisations work jointly in particular by benchmarking themselves and by relying on best practices to improve their results throughout the process. The emergence of a system of accountability is accompanying this process. We will come back to this in the third part of the booklet.

The principles of environmental responsibility through ecological footprints or effects linked to climate change have become extraordinarily important in the conduct of international affairs. Today the environmental question is no longer challenged and is considered a genuine economic opportunity. Indeed, thanks to the "Clean Tech Revolution" concept, a large part of the industrial world has grabbed this opportunity to invest in R&D (Research and Development), in innovation technologies and in the development of new products. This is a decisive turn that has been taken since it covers all parts of the economy related to energy, transportation, construction, waste treatment, to mention only the main sectors of industry that have been led to rethink and reorient their industrial and commercial approach.

Even if the middle and long term industrial approach is the only real solution to solve the question of the ecological footprint, debates on the means to be adopted in the short term however remain heated. Supporters of state intervention by way of a binding legislative approach notably through taxation (e.g. the carbon tax) attempt to speed up the movement with immediate solutions. However the risk of over-regulation in this field might lead not only to economic imbalances between the various regions of the world but also between the various economic actors. The occurrence of significant tensions might lead to relocations or markets distorted by an excessive degree of state intervention. Green innovation and construction incentives, on the contrary, would obviously be more efficient. The debate is not closed and civil society will play a decisive role. For this reason the issues of transparency and the quality of information have become today so essential for the evolution of our society and in particular for the new environmental trend which the economy is experiencing.

Responsible investment

For several years now, the finance world has been concerned by the question of the societal responsibility of the companies in which it invests, and this despite the current crisis. Fearing the risks incurred by companies in the event of social disfunctioning, portfolio managers practice more and more a "socially responsible" selection in order to diminish their own risks. For

this, they rely on quotations issued by rating agencies (Standard & Poor's, Moody's, AM Best and Fitch). Even if this phenomenon is not completely generalised, we can already say that the reform is in progress for two good reasons at least:

– Market transparency forces more and more companies to inform the shareholders but also the regulation authorities and rating agencies on their activities, and in particular on their environmental commitment.
– The reporting obligation also requires companies to control their progress in the area of societal responsibility on a yearly basis.

These two factors combined with other more specific factors like changes of national legislation lead companies into a process of permanent improvement. For a long period of time societal responsibility was considered by companies as a component of "marketing", today it is an integral part of doing "good business".

The ConsumActor

Since the Internet boom took off, consumers have at their disposal an information, communication and knowledge tool such as unprecedented in the history of humanity. Strengthened by this technology, the consumer can now compare, analyse and chose among a range of planetary goods and services, and he/she takes full advantage of this. Overriding retailers and other intermediaries, the consumer acts directly on the market. We talk of "direct economy" to announce the expansion of this phenomenon with the appearance of the "ConsumActor" to designate this new form of consumption. Companies must take this new fact into account in the development of their strategy. In the specific case of corporate societal responsibility, this "empowerment" of the consumer has had numerous consequences. Indeed, we can observe an increased dialogue between consumers and companies, as well as commentaries, in particular on companies' interactive website. And so companies' operations now go through a huge Web filter - a reality that cannot be ignored.

Henceforth, it will be necessary to act and communicate in an appropriate manner in order to avoid running afoul of the virtual market and therefore the real market. Transparency has become a new vehicle for communication and cannot be avoided. A great number of companies have understood this well and opened on their websites on-line forums for discussions with their real or potential customers.

By resolutely going for openness and transparency, companies have strengthened their position while offering the Consum-Actors the possibility to participate both at the level of product and services maintenance as well as enabling them to innovate products and services through idea contests.

The consumer's gain in influence and importance is undoubtedly the biggest contemporary economic revolution.

Codes of conduct

The "United Nations Global Compact"
More than fifty company executives and several representatives of associations met in July 2000 to set up the content and modalities of the "Global Compact", thereby materialising the idea of a global agreement for companies launched by the United Nations Secretary-General. This Compact illustrates the willingness of companies to assert themselves as full-fledged actors of growth and development in the globalisation context. The objective of a "World agreement for companies", named "Global Compact", is two-fold:
• contribute to sustainable development through the creation of a partnership network and the promotion of good practices in that field;
• promote a globalisation that benefits each and everyone, on the basis of the market economy.
By adhering to the Global Compact, companies undertake to comply with the principles drawn from international texts or conventions: the Universal Declaration of Human Rights, the International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at Work; the Rio Declaration on Environment and Development.
www.unglobalcompact.org

Amnesty International
In 1998, Amnesty International developed a list of human rights guidelines for companies. Companies must integrate them in their code of conduct.
www.amnesty.org

OCDE

The OECD Guidelines for Multinational Corporations, which were reviewed in June 2000, are recommendations addressed by OECD governments to multinational enterprises. They cover in particular the following areas:

- Publication of reliable information on financial and non-financial results, risk factors, goals, shareholders and voting rights, composition of the Board of Directors and remuneration of members and executives, corporate governance structures.
- Respect of human rights and labour standards.
- Environmental policy (management systems, information, impact assessment, risk and accident management plans, improvement of environmental performances, training of staff).
- Fight against corruption and maintenance of fair and transparent trade practices towards the consumer.
- Transfer of technologies and know-how, development of partnerships and contribution to the development of the innovation capability, at the local and national level, for developing countries.
- Adoption of good practices in competition.
- Respect of tax laws.

Switzerland subscribed to the OECD Guidelines and established a national contact point within the Secretary of State for Economy (seco). This contact point conducts activities to raise enterprise awareness and offers them a forum for discussion and recommendations to help with the implementation of the Principles.
http://www.œcd.org/department

ILO

The International Labour Organisation was created in 1919, on the occasion of the settlement of the First World War by the Treaty of Versailles. The Organisation, one of the institutions composing the Society of Nations, is the only one which survived the Second World War. The ILO became a UN

specialised institution in 1946. It currently counts 188 Member States, has its headquarters in Geneva in Switzerland and manages foreign offices in more than 40 countries. The ILO has lately drafted an Agenda for decent work, which covers a great number of the challenges which the Organisation already faced at the time of its establishment. Today there are 188 signed conventions and 199 recommendations, and some of them date back to 1919.
www.ilo.org

Ethical Trading Initiative

The Ethical Trading Initiative (ETI) is an alliance of The Ethical Trading Initiative (ETI) is an alliance of companies, NGOs and trade unions which are committed to working together to identify and promote good practices in the implementation of labour codes; the process involves the independent control and monitoring of compliance with these codes.
www.ethicaltrade.org

Transparency International

Transparency International, a non-governmental organisation leading the fight against corruption, brings people together within a powerful worldwide coalition to promote change and end corruption around the world. Transparency International's mission is to create change towards a world free of corruption. Transparency International raises awareness and diminishes apathy and tolerance of corruption, and, to achieve this, devises and implements practical actions to address this.
www.transparency.org

Towards the standardisation of societal responsibility

A multiplicity of standards

Be it in academic, economic, international or civil society circles, everyone or almost everyone contributed to the debate. From a certain point of view, they embody "soft governance". For example, Walter Kælin, Law Professor at the University of Berne, who is at the origin of the new Human Rights Council. Here is the first contribution of men of sciences: their creativity. Take Charles Wyplosz, Professor of Economy at the Graduate Institute (IHEID) in Geneva. His capacity of analysis is such that everything becomes clear. This is their second contribution: the awareness of the reality and consequences to be drawn. Take Professor Keith Krause from IUHEI, he leads the "Small Arms Survey" and offers innovating solutions. This is their third contribution: the role of scientists is to upset things. Finally consider the specialists of International Law at the University of Geneva or at IHEID, who are appraised experts at the International Court of Justice in the Hague. This is their fourth contribution: to provide good advice. Discover, understand, explain, teach, sometimes advise such are the contributions made by academics.

But there are also other active players like the agents of normalisation, of standards, of labels or monitoring (watchdogs).
Be it from standard international agencies (from the United Nations or not), national or European institutions, or from economic or financial quotation companies, independent labelling organisations, university centres, companies providing

consultancy in societal responsibility or finally NGOs, we assess that these entities intervening on the societal responsibility standardisation and normalisation market exceed the number of one thousand.
Indeed, there are numerous standards (ISO 9001, ISO 14001, ISO 26000, SA 8000 [USA], BS 8900 [UK], SD 21000 [France], EMAS [UE], etc.). Similarly, the list of labels is impressive with Max Havelaar, EUEB [EU], SWW [USA], etc. Theses societal responsibility quotation indices are in constant progress.

In view of this overflow of initiatives, it has become necessary to clarify the situation by improving the global understanding of this evolution.

Towards a single reference norm

The plurality of approaches has created a certain degree of confusion on the markets as well as for those managing companies, NGOs and governments. However, this overflow of initiatives has been necessary to generally raise awareness of the role and importance played by societal responsibility, but it now gives more the impression of agitation rather than order. This is why the upcoming release (2009/2010) of the ISO 2600 standard is impatiently awaited.
Indeed, it is certain that the ISO 26000 standard will finally lead to the establishment of a major and unique reference. It will rely on the considerable work already carried out with the ISO 14001 standard in the environmental field. ISO (International Standard Organisation), relying on these numerous national standardisation organisations, will provide a consensual and rallying standard for all.

For the first time, massive issues such as ethical management standards for fair labour, environment, trade, financing, retail and the protection of consumers will be covered in a single standard. The ISO 26000 standard will thus impose an expanded and global vision of societal responsibility. This standard will establish itself as a reference as did ISO 9000 (ISO 9001) and ISO 14000 (ISO 14001), because it responds to the same need for clarification and unity. Indeed, it will be impossible to compare

organisations if the number of standards and labels continues to multiply.

Moreover, the difficult part for company managers will remain the measure of on-going progress. They have the responsibility to bring constant improvements in a continued and controlled process, while preventing an abrupt change in framework conditions. For them, it is crucial to think more in terms of evolution rather than a discontinuous break because approved investments cannot be brushed aside overnight by a sudden change of legislation. This is truly a process of stability and continuity which is being established for company managers and with which they will be able to evolve voluntarily only subject to a penalty imposed by the market. The control of the process is always more important than the results themselves because the reverse could rapidly lead them to bankruptcy.

The post economic and financial crisis era (2007-2009) will probably push towards the activation of conflict resolution related to societal responsibility. This crisis will have at least demonstrated the urgency of the question.

Norms and Standards

ISO 26000
ISO 26000 is a standard under development. It will relate to societal responsibility of organisations (companies, NGOs, States, etc...). It should be published in 2009. The ISO 26000 standard will integrate the gains from the ISO 9001 standards (quality management), ISO 14001 (environmental management) as well as standards from the International Labour Organisation (protocol of agreement between the ISO and the ILO to comply with these standards) as its frame of reference for the management of safety and health in the workplace.
http://www.en.wikipedia.org/wiki/List_of_ISO_standards

ISO 9000/9001
ISO 9000 refers to a set of standards related to the management of quality published by the International Organisation for Standardisation (ISO). Only ISO 9001 can serve as a basis for auditing and certification. Audit and certification companies provide services to organisations upon request. The latter can then claim a certificate of conformity to ISO 9001.
http://www.iso.org

ISO 14001
The ISO 14001 standard is the most used standard among the ISO 14000 series which relate to environmental management. It was developed by the International Organisation for Standardisation, referred to at the international level under its acronym of origin ISO, which is systematically taken up for the designation of standards.
http://www.iso.org

SA 8000 (USA)

SA 8000 is a societal responsibility standard for decent working conditions. It allows companies to better communicate with their stakeholders. SA 8000 is an initiative of the Council On Economic Priorities (1997), based in New York, which became Social Accountability International (SAI), which develops and oversees it. It provides a common framework for ethical information to be issued by companies of all sizes and types wherever in the world. SA 8000 outlines measures on issues such as trade union rights, child labour, working hours, health and safety at the workplace, and a fair salary. SA 8000 is based on the United Nations Universal Declaration of Human Rights, the International Convention on the Rights of the Child and various conventions of the International Labour Organisation (ILO).
http://www.sa-intl.org/

BS 8900 (UK)

BSI Business Information has just published the project of a new "British Standard - BS 8900- Guidance for managing sustainable development.
BS 8900 is designed to help organisations to develop an approach to sustainable development that will continue to evolve and adapt to meet new and continuing challenges both at the level of continuity and demands. It provides clear practical advice with which to make a meaningful contribution to sustainable development.
This new standard guides organisations towards an effective management of their impact on society and the environment, along the route to enhanced organisational performance and success.
http://www.bsi-global.com

SD 21000 (France)
The SD21000 guide provides help to adapt a company's management system technically and culturally in order to progressively integrate the objectives of sustainable development. Recommendations in the SD21000 guide are not designed for certification purposes. http://en.wikipedia.org/wiki/Corporate_social_responsibility

EMAS or EU Eco-Management and Audit Scheme
The EU Eco-Management and Audit Scheme (EMAS) is a tool for European organisations to continuously improve their environmental performance as well as their information to the public and interested parties. The objective of the new EU Eco-Management and Audit Scheme is the establishment and the implementation by the organisations of environmental management systems, the objective and periodical assessment of these systems, the training and active participation of the organisation's staff; the communication with the public and other interested parties. http://ec.europa.eu/environment/emas/index_en.htm

Towards a direct societal responsibilisation

Two bodies will characterise the future evolution of societal responsibility of companies, state agencies and civil society.

On the one hand, the participation of actors (companies, States, civil society) in public life will increase both globally and locally. Anglo-Americans voluntarily talk of "empowerment" which might correspond to a stronger intervention of these actors. This "empowerment" in fact corresponds to five different levels of involvement which go from forced participation to co-creation by way of the levels of self service, do it yourself and co-design.

Let's rapidly define these five levels of societal participation.

- Passive: this corresponds to actions linked to laws and their implementing regulations. It groups together all of the behaviours imposed by the legal and moral system of a society such as "equality of treatment", "abolition of slavery", prohibition of child labour".
- Self service: it is all of the participative behaviours linked to choice, either charitable, civic, associative, and voluntary which citizens or companies may chose to do or not to do in a well-defined environment: "participate or not in fund raising for a good cause".
- Do it yourself: it refers to responsible behaviours built with pre-existing elements to develop a new approach. For instance, the performance of a spontaneous action in favour of a natural disaster. The action is unusual, but its elements are real.

– Co-design: this corresponds to an action of societal responsibility from the design up to the realisation without any change of the framework conditions of the societal environment. For instance the construction of a zero carbon building.
– Co-creation: this describes participation in the development of a new framework of responsible actions. This is the case of the companies which imagined and realised the Global Compact project.

On the other hand, we observe changes in the behaviour of stakeholders in the entrepreneurial environment. This transformation is characterised by a process going from owner-centered ("stakeholders") towards partner-centered ("multi-stakeholders") and in particular towards public opinion in general[9].

a) Contractual relations:

– The owners/employees are the company's in-house actors. They operate in accordance with strict national and international laws which bind them contractually in their work relations.
– The customers, suppliers, banks, public communities, trade unions, etc... represent all of the company's contractual partners without whom it would simply not exist. A common destiny unites them. Agreements specify these links. Purchase, sale, loans, taxes, etc... are defined without any ambiguity.

b) Non-contractual relations are all of the non-binding relations which attach a company to its environment: NGOs and civil society organisations, universities and research centres, culture and sport, think tank and politicians, lobbyists and entrepreneurial community, etc... But it is also all of the soft laws such as standards and norms which also govern in a non-binding manner entrepreneurial behaviour.

[9] We described in detail this change of paradigm in the Booklet N°2, « Multistakeholders », Foundation for Geneva, 2008

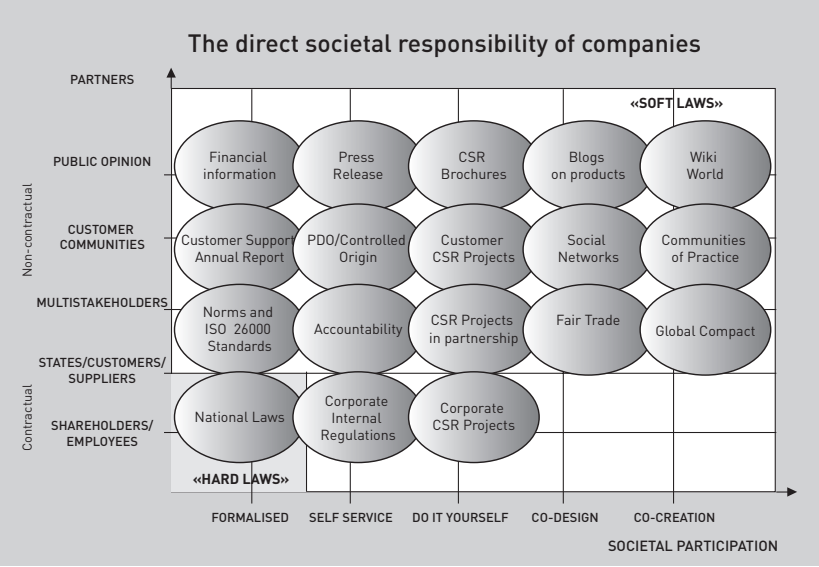
Three groups of partners representing three types of non-contractual behaviour will be described below:

– Multistakeholders
  Correspond to the civil society organisations (NGOs, associations, think tanks, political parties). But correspond also to the national State agencies (local public authorities, UN international organisations or standardisation organisations, G8). Without forgetting the professional organisations (trade unions, employers' associations, chambers of commerce).

– Customer communities
  Emerging Internet social networks encouraged the creation of a multitude of communities organised around the companies' products and services. Thanks to blogs and other practices, customer communities play a new role in the maintenance and follow-up of products and services but also in the viral marketing or the company's image. The growing power exercised by these customer communities has become exceedingly important for companies.

– Public opinion
  Confined until very recently to media and to opinion leaders, this new global communication perspective is becoming a crucial element of business activity. Many societal responsibility projects are designed for public opinion. However, with the emergence of Internet, the nebulous partnership with public opinion has become rather complex. Blogs and customer communities set new challenges to companies, in particular concerning image and branding.

The following graphic representation presents on a single chart all of the components of corporate societal responsibility.



On the vertical axis we find the various partners/actors; at the l'intersection of each coordinate the actions/procedures of societal responsibility are observed in function of their participative component. Therefore, the reading of the table is made from left to right and from bottom up. In this order, we find:

a) Hard laws

– Formal laws and regulations.
  They are imposed by the territories (cities, nations, the international bodies) and force companies to strictly respect at the internal level the legal environment in force. This concerns not only business success but also the adequate treatment of employees (equality, promotion, freedom, refusal to employ children, etc.).

– Contacts with production partners.
  In addition to governments, customers, suppliers, and banks are also subject to a formal contractual framework depending on the laws in force. Thus, the relations with external partners who are part of companies' value chain are formalised and made contractual. The legal societal responsibility of companies also extends to their investments.

b) Soft laws
– The company's internal regulations.
  All companies have defined charters for corporate behaviour and visions often called "Mission statements" in which the principles specific to each company are laid down. Among these principles, those related to societal responsibility are listed first. They arise from a kind of medley based on the major declarations such as those related to human rights and to the millennium and are formalised by programmes like the Global Compact or by norms and standards (ISO 14001, ISO 26000). Each company is free to act in accordance with its free will, only the market will assess it.
– The norms, standards & labels.
  There are numerous norms, standards and labels related to societal responsibility. This abundance of references will undoubtedly be simplified with the emergence of the ISO 26000 standard which will incorporate and unify them. However for companies, this will mean better formalised and specific soft laws which will help them to develop their own societal responsibility actions and programmes.
– Corporate projects.
  A great number of companies have developed with their employees more or less large programmes such as public / private transportation programmes to reduce their carbon emission or specific aid programmes to reduce poverty. All of these programmes represent innovations put together by companies (pertaining to the do it yourself or co-design type of model) to comply with the moral commitments contained in their "Mission statement".

– Customer support in favour of societal responsibility.
  With the participation of customer communities, companies have recently started to develop common programmes, in particular for the protection of nature. From the recycling of miniature mercury cells, the support of the use of paper instead of plastic bags or by participating with its customers in a good cause such as the digging of a well in Africa, the actions are both good for business and satisfactory for the sustainable project defended. All of the actions are so well formalised that the customer has no other choice than to participate; it is in the interest of both parties. There are also actions conceived in partnership, but we will come back to this later.
– Information: Annual Report, financial information.
  This type of information is very formalised and coded. Stock markets, governments and the financial sphere impose strict regulations in order to guarantee a uniformity of the information for the markets. However, for several years a component of societal responsibility has appeared in annual reports or in financial information as companies communicate in a more explicit manner on their actions. This now forms part of their informational environment.
– Accountability.
  In a near future, companies will be obliged to present their societal responsibility results in a more structured way. The idea being to share information on progress made with their partners (multistakeholders) year after year. The accounting of the progress made is called "accountability" in the Anglo-American world. There is no such equivalent word in French, but it is notably the idea of "accounting for the progress made". This concept is the future solution to the question of societal responsibility because it enables to inform, understand better and conduct a finer corporate analysis. As a result, social analysis resembles accounting plans. We will come back to this key element in the third part of the booklet.
– Fair trade.
  Fair trade was created several years ago, under the pressure of consumers aware of the necessity to improve the working conditions of small farmers and workers in underprivileged countries. Fair trade provides a guarantee to consumers

of products bearing a producer fair treatment label that the producers were treated fairly. Numerous foundations have implemented and favoured the dynamics of fair trade on the market by complying strictly with the standards. This has since influenced trade in general and has strengthened the link between the consumer and the producer who mutually share their destiny.

A non-State actor was able to kill more Americans on September 11, 2001 than during Pearl Harbour on December 7, 1941. This is a typical illustration of a world in mutation.

– Societal responsibility partnership projects.
  In their efforts to develop aid programmes, companies associated with each other, with NGOs and/or local authorities in order to improve the impact of their actions. In the fight against endemic diseases in Africa, for instance, major pharmaceutical corporations joined together with Doctors Without Borders or participated within the framework of the World Health Organisation (WHO) in order to improve sanitary conditions in some countries.
– Societal responsibility customer projects.
  In the spirit of fair trade, companies have attempted to create mutual aid programmes for poverty alleviation or health and nature protection in partnership with their customers. For example the IT project to donate computers in underprivileged countries or targeted humanitarian actions in the field of education (scholarship programmes).
– Protected Designation of Origin (PDO).
  Companies often grouped together by branch of economic activity in order to develop for their customers a system to control the origin of their products. It is mostly in the foodindustry that such programmes have been created. At the beginning, it concerned the producer in relation to the consumer, but quickly the centre of interest moved towards the whole food chain. Following the example of fair trade, the PDO designation has relied on the proximity with all parts of the world. This proximity has played a more particular role than the mere aid to development, but always under the banner of the search for quality and the principle of control of origin.

– Social Networks.
  With the emergence of social networks on the Internet a new relationship to societal responsibility appeared. Hazier and clearly less formalised relationships gave companies, thanks to social networks, a new dimension. Companies must communicate and act with independent customer communities. The demand was mostly confined to the products and services of the companies, but not only. Social networks have really become a societal responsibility challenge for the various actors at play.
– Communities of practice.
  More focussed than social networks, these communities of practice tend to take over the maintenance and follow-up tasks of products and services that used to be performed by companies.
– Blogs.
  Are another component of society which operate a bit like the media. Because of their free speech, blogs represent a threat but also an opportunity for companies who use them as part of their communication strategy as they tend to report on social responsibility actions.
– WikiWorld.
  All of the creative projects of the WikiWorld represent a new challenge for companies. Some of them tried a stab at the virtual world via Second Life platforms. Trials are still under way, and it is too soon to define a rational approach for companies.

By confronting the corporate partners/actors with the degree of their participative involvement in societal responsibility, we can observe that there is a strategic reading of corporate behaviour. The more we move away from formal constraints (hard laws), the more the company enters into a "softer" and less binding field of action. However, the type of actions related to societal responsibility requires a much more sophisticated management style because the number of partners increases and so does the level of their creative participation.

Strategically, companies should advance by successive levels in order to control the progress of their practice of societal responsibility. In this progression, the central point is the implementation of a robust system of "accountability" which will also enable functional communication. The multiplication of initiatives does not permit the building of such a system.

Only a long-term vision, built step by step, will bring about a genuine and credible tool of societal responsibility. To successfully achieve such a structure, it is essential to rely on a standard of reference. Following preliminary versions allowing the definition of its bases, it appears that the ISO 26000 standard might play this role in a near future.

The constitution of a team within companies, NGOs, and administrations which would have the task of setting up genuine "accounts 2.0" (sort of formal accountability) is essential. We will come back to this in the third part of this booklet.

Testimonies of change agents

Interview with Alan Bryden

General Engineer, General Council of Industry, Energy and Technologies (France); a. Secretary-General of the International Organisation for Standardisation (ISO)

The definition of social responsibility or societal responsibility raises issues. Could you explain?

In French, you do have a choice: "societal" or "social". However, we refer more and more often to the societal responsibility to mention the responsibility and commitment of any private or public organisation towards its "stakeholders", from its immediate environment (customers or "administered", shareholders or members, employees, suppliers) to the community at the national and international level. The globalisation of exchanges and communication, as well as the globalisation of other issues such as security, environment or climate change implies that this responsibility takes into account a global framework. Any serious breach of this responsibility risks to jeopardise the durability of an organisation, irrespective of its short term efficiency. But, for the time being, there is no international definition: the ISO 26000 standard which we are currently developing should precisely provide a consensual meaning to this word.

Historically, how did it happen? At the beginning we talked about corporate societal responsibility then we moved towards environmental issues. Is the concept becoming a catch-all expression?

It is interesting to recall how this issue came up before the ISO, whose primary business, since its creation in 1947, is to design

international standards related to technology, organisation or management. We do it pretty successfully as our collection today covers more than 17,000 international standards, 160 countries participate in our deliberations and we publish each year a hundred new or revised standards. We are therefore a mixing pot that serves to achieve an international harmonisation on the basis of consensus between the actors concerned when a subject acquires a global dimension or interest. The question of societal responsibility appeared on our "radar screen" at the eve of this century and came from three directions:

1 The evolution of quality management. Twenty years ago, we published the first versions of ISO 9000 standards and at the time, this corresponded to the globalisation of exchanges and the necessity of being able to select suppliers across the planet on the basis of a common frame of reference with respect to the management of quality. The management of quality evolved since then towards the "total quality" and the last version, the third one, was published in 2000. Standards of the 2000 series deal, in addition, with continuous improvement. They introduce the idea that the satisfaction which we seek through the quality of a product or service, to ensure the company's success and durability is not only the fulfilment of the customers' requirements but also that of its employees and shareholders, in the respect of the environment and communities in which the organisation operates. It is interesting to note that close to one million organisations in 170 countries are today "ISO 9001" certified. Including primary and secondary industries and public and private services, the latter accounting for 30% of the total amount of certificates.

2 The second origin of the entrance of this issue at ISO is linked to the issue of corporate ethics, following several sensational scandals on both sides of the Atlantic these last few years which led law-makers and the market to take a closer interest in corporate management and control purposes and methods. This issue merged with that of sustainable development and its three dimensions (economic, environmental and social). The notion of "social rating" then developed as a requirement and

criterion for investors and the "social audit" for mass retail suppliers. We observed the multiplication of rating and audit frames of reference and the boom of the practice of "environmental and social reports" which numerous companies publish each year. Public collective initiatives (e.g.: "the OECD Guidelines", the UN Global Compact) or private initiatives (e.g.: the Global Reporting Initiative, the Social Accountability-SA8000) developed. In view of the proliferation of frames of reference and initiatives, and the corresponding multiplication of questionnaires, controls and "indicators" enabling the measuring of performance and progress of organisations in that respect, an international harmonisation turned out to be essential to improve the implementation and the understanding of the concept of societal responsibility. The post of "ethics" or "sustainable development" manager was introduced into lists of posts in numerous companies and organisations.

3 The third origin of the entrance of this standardisation issue at the ISO comes from the pressure exercised by consumers themselves, exposed to demands for ethical behaviour as an argument of sale and respectability of the companies. The consumer of the 21st century is ready to have criteria other than the price of purchase and the performance exert an influence over his/her choices, like for instance the mode of production ("sustainable" for the actors of the chain, human rights and labour rights friendly), the consumption of energy or the impact on the environment and climate change. But he wants to be sure that the claims made in that respect are legitimate and he wants to understand their scope. The ISO created a Consumer Policy Committee (COPOLCO) 30 years ago, within which their representatives express their expectations in relation to international standardisation. At the beginning of this century, they asked for the clarification, at the international level, of the notion of societal responsibility and its content.

Thus the subject-matter appeared before the ISO on the basis of these three origins and, following an in-depth analysis and consultation, the ISO was recognised as the global and consensual institution in the best position to undertake an international

harmonisation. Our contribution is indeed completely in line with what we bring for the standardisation of products, services and management. It completes what we already provide in the field of quality management and environmental management (the ISO 14000 series).

You said previously that we have the feeling that the initial marketing effect transformed into a tougher economic reality because at the beginning a great number of companies launched into societal responsibility programmes only to stick to the trend of the day. Today this notion of societal responsibility has become a survival tool for companies, almost a risk should one abstain from it. What is your opinion on this subject?

We have indeed witnessed the reinforcement of the theme of societal responsibility: the World Economic Forum placed it in its list of agenda items several years ago with an increasing visibility; the G8 meeting in Hokkaido in 2008 devoted an important part of its discussions to it, the United Nations put it within the general framework of the "Millennium Goals" on poverty and inequalities alleviation; it consolidated its own contribution within the framework of its "UN Global Compact" initiative which held in Geneva in 2007 a summit of "global leaders" to which the Secretary-General Ban Ki-Moon participated. It is today broadly accepted, in Davos and elsewhere, that in order to guarantee their future the companies must operate while at the same time optimising, beyond their financial result, their "triple bottom line", which is: their economic performance, their environmental integrity and social fairness. A second interesting and complementary turn occurred recently with the recognition of the climate change phenomenon, its human origin and its potentially catastrophic impact on the global economy and the human race. The G8, the Nobel Peace Prize attributed to Al Gore and to the United Nations Intergovernmental Panel on Climate Change in 2007 or the Conference on Climate Change held in Bali in 2008, in Poznan more recently and soon in Copenhagen to update the Kyoto Protocol, clearly show that the subject-matter figures at the top of global concerns. We entered a new era, that of the "anthropocene", which is characterised by the fact that human activity and demography directly

impact on the evolution of the climate and therefore the future of the entire planet. At the Forum of Davos in 2008, it is also climate change which was listed as the top priority of challenges faced by leaders of the world. The title of the book which made a hit, Green is Gold, by Daniel Esty, Professor at Harvard, illustrates how this threat can be transformed in an opportunity. We recently saw in Australia that the issue of climate change can, from now on, directly impact election results.

At the same time, countries with emerging economies grow at high speed, flood the world with their goods and consume an increasing part of the planet's resources in energy and raw materials. What will they do with respect to societal responsibility, protection of the environment and restriction of greenhouse gas emission?

We may first understand that these economies wish to be up there in the big league and provide the benefit of it to their populations. They do not wish to restrict the growth of their standard of living to enable countries with developed economies to keep their lead. Let's take the case of China. It has become the world's factory, but it has an image problem related to the quality and safety of its products and, one must say, that there is no smoke without fire. Many developing countries complain of being the object of the dumping of bad quality Chinese products. But, China advances quickly in the arena of collective awareness and what is occurring in China is what occurred in Japan in the fifties. At the time it was Japan which carried the image of a country which flooded the world with bad quality products. A voluntarist policy with respect to quality heaved this country up among the first in the world in economic, environmental and also social matters. China is ten times bigger. A middle class is emerging, as in India, which does not accept that bad quality products be sold to them because they ask for more than the mere satisfaction of their vital basic needs: they demand quality. Thus pressure comes from the outside and the inside. The Chinese seized the opportunity of the exceptional window display provided by the Olympic Games in the Summer of 2008 to show progress accomplished: they did not want to record under-achievements whether in the field of quality, environment

or social rights, i.e. to sum it up, in the field of societal responsibility and sustainable development.

ISO is not a legislative body but it regulates more efficiently than any legislative body. What do you think?

The ISO is not an intergovernmental organisation. It is a federation of national standardisation agencies whose mission, at the national level, is to develop standards on the basis of consensus between the economic partners, and ensure the participation of the country to international standardisation. The mission entrusted to all of our members is based on the law. We implement open and transparent mechanisms of consensus building which have been tested for more than 60 years and our normative field developed according to globalisation. We might say that we provide a double level of consensus: between stakeholders and between countries. ISO standards are not compulsory. For more than twenty years, we have had an important "driver" provided by the World Trade Organisation (WTO) and its agreement on the elimination of technical obstacles to trade. The latter commits governments from the 153 signatory countries to use international standards similar to those issued by the ISO in order to avoid the creation of barriers to trade by prescribing technical requirements and control procedures that are purely national and are not justified by public safety and health considerations. Indeed any exception invoking the "safeguard clause" must be duly justified.

If we look at the complexity of the world's business, we realise that your organisation has, to a certain extent, contributed to regulate the world and is going to introduce a new paradigm with the notion of societal responsibility. What do you think?

Again, I insist on the fact that ISO standards are voluntary. They do not aim at replacing regulation, but rather to enable it to focus on what genuinely pertains to public authority. For instance, it is the law-maker who must set the limits of contamination or toxicity thresholds, but the standards drawn up with the experts and parties concerned must provide for the measure and analysis methods or the good practices of production or management

necessary to comply with them. They will have then all the more chances to be complied with. In terms of societal responsibility, we have an agreement with the International Labour Organisation (ILO) which precisely aims at not duplicating, or worse contradicting international standards regarding conditions of work as enacted by it.

Concerning ISO 26000?

For the development of the ISO 26000 standard, we made sure that the national delegations were constituted of the 6 different interested categories of economic and social partners: namely industry, government, labour, consumer, non-governmental and service, support, research and other. We voluntarily set aside, in a first stage, certification bodies and consultants in order to avoid the suspicion that we were developing a standard designed to feed these trades. We aim at developing a document which would provide a guide to understand societal responsibility, define it, give it a content recognised at the international level and make its integration into management possible. It is a standard which is not intended for use as a "certification" standard but it must provide guidance for the good comprehension and implementation of the subject-matter in any organisation. Indeed the societal responsibility is not only the prerogative of companies: public administrations and NGOs must also implement it. ISO 26000 must allow a better communication towards the "stakeholders" and the public for the organisations which will implement it.

Today, there are 80 countries which participate in the deliberations or which follow it closely on social responsibility and 39 governmental and non-governmental organisations. We have also set up a special training programme to promote the participation of developing countries. We drew up the fourth version of the standard and it is taking shape.

Does this entrance in the societal field mark a turning point for the ISO ? Is it the sign of a transfer of power from official law-makers towards civil society, from hard law to soft law of which the ISO constitutes a remarkable example?

For the ISO, this is not a revolution but rather an evolution which sticks to that of the globalised world and which is confronted to the necessity of organising a sustainable development. We "stick" to technological development: we have for example a committee which deals with international standards for nano-technologies, but also with their impact on society. Indeed, our standards deal with performance and safety characteristics of products and services, their measure and assessment, the interoperability, as well as good practices of organisation and management for their production. As the societal responsibility also becomes a management criterion and a market and society requirement for these products and services and those who deliver them, we are legitimate to provide the platform for an international harmonisation between the actors concerned. The voluntary aspect of our standards, our strong corporate image associated to quality and safety, our geographic and economic scope (countries members of the ISO represent 97% of the world's population and 98% of the GDP), the scope of branches that we cover allowing for bridges and coherence, are as many supplementary assets. Take for example biofuel, for which the European Union and the United States have set the objective that they represent in 2020 20% of the consumption in power for transportation. The ISO created a technical committee to deal with that subject-matter and we will be able to deal with all aspects: characterisation for the use and distribution as a substitute to fossil fuel, analysis of the life cycle to privilege biofuels with a globally positive "carbon balance", manufacture technologies, vegetable raw materials, etc. With respect to the emergence of soft law, of which we constitute an example, it is linked to the complexity of the world, to the globalisation of challenges, to the market economy and to the progress of democracy. I hope for the planet that it is a heavy trend, because it makes economic actors more responsible of their destiny and more in sympathy with the evolution of the world.

This change set in little by little. Is there a key moment which could demonstrate that before the world was organised on stable regulations and now on regulations in progress with a sharp increase in the globalisation process?

It may be a coincidence (the "millennium syndrome"?) but the year 2000 has been a genuine turning point for humanity. This date crystallised the attention and this corresponded to the development of information technologies and to the great fear of the year 2000 "bug". This consequently sped up the development of information technologies and created a flow of services towards India and various emerging countries. The development of Internet led to a development of trade, communication between human beings, therefore in a sense to a demographic pressure, the facilitation of professional and human relations and the transparency of activities. I would readily set the year 2000 as a break from the "flattening" of the world as brightly described by Thomas Friedman (see: The world is flat). Where is the cause, where is the effect? Similarly, the scandals I mentioned above occurred during this same period of time. As well as all of the previous events, but close to the year 2000: the fall of the Berlin Wall and the end of the Cold War, the invention of the Internet in 1993 and the expansion of the logistical chain which allowed the exponential increase of international trade. Besides the international standardisation of containers in that respect is another of ISO's great achievements.

How would you set the Geneva international scene in that context?

Indeed I would not want to end this interview without saying a word on the Geneva international scene, of which I am an ardent supporter. The city where the ISO headquarters are located and the region surrounding it have become the "hub" of international cooperation in sustainable development, climate change and societal responsibility which are now priorities. We find here the main public and private international actors: the second UN centre, several of its specialised agencies in charge of actions in this field (ILO, WHO, UNCTAD, WMO, etc.), WTO, ITC, and, for sure,

IEC, ITU for the setting of standards. We also find major private actors: the World Economic Forum, the World Business Council on Sustainable Development, the International Organisation of Employers to mention only three. And also civil society activists thanks to the numerous NGOs involved in that subject-matter. The International Union for the Conservation of Nature and the WWF are within a stone's throw of Geneva's "water fountain". The ISO is therefore very happy to have its headquarters in Geneva and uses to its maximum synergies generated by the Geneva international scene.

The ILO, societal responsibility and a new world governance

Juan Somavia
Director-General, International Labour Organisation (ILO)

The last three decades saw major changes on the international scene in the field of governance. New actors appeared and introduced new modalities of action. Multinational corporations are therefore more and more numerous to include social responsibility, and more broadly societal responsibility, as an integral part of their activities. A multitude of civil society organisations have also emerged and intervene today at the global level in the form of networks on an increasing number of specific issues and themes. Rejoining the traditional state actors and organisations of the multilateral system, these new actors have at the same time enriched and complicated the world governance mechanisms and process.

The crisis which started in September 2008 has however set up a new deal. Today it has become urgent to restore and strengthen this world governance in construction. We abruptly passed from a era of change to a change of era.

I would like to show in this contribution how the International Labour Organisation (ILO), the oldest organisations in the multilateral system, is in phase with recent evolutions and today's needs in the field of world governance. And how it can be a centrepiece of

the new institutional architecture, which, as never before, should be urgently built at the international level.

The ILO was created at the beginning of the last century in response to a context which, in fact, shares many common traits with our context. The freedom of exchanges and the economic integration were indeed already so advanced at the time that we called this era "our first globalisation". The visionary idea of reformists at the origin of the project was that, in order to make durable a model of open social and economic organisation, based on freedom, an institutional framework in which this freedom could develop in a fair manner for the benefit of all was needed. For this, the best method was that the interested parties – governments, employers and workers – work together, at the international level, to find appropriate political and legal solutions which might be applied in diverse national contexts. This vision took shape and developed in Geneva as of the Summer of 1920 and, today, within the framework of a globalisation which relies on the opening and the power of markets, it does not appear less revolutionary than it was before.

The ILO has naturally inscribed itself within the major movement towards the constitution of multilateralism which followed the Second World War. It however kept its initial originality, its tripartite structure, which allows it to bring together, along with governments, actors of the real economy: the representatives of employers and workers, the stakeholders from the labour and wealth production world. It thus prefigures an essential dimension of the global governance which emerged during the last decade, with the participation of actors going beyond the state actors only.

Its original tripartite structure allows the ILO to be rooted into the reality faced by companies and to perceive the social and economic evolutions which they experience. It de facto gives it an uncommon capacity for anticipation, which regularly manifested at various important periods of our history. In 1941, for instance, on the occasion of its conference held in New York from the end of October to the beginning of November, though the United States had not yet entered into war, the ILO was already defining the broad lines of what could become a social and economic reconstruction policy up to the challenges arising from the post-war period. In May 1944, a few weeks before the Normandy landings, it solemnly adopted the Philadelphia Declaration which initiated the great movement

towards human rights which unfolded at the close of the conflict. Franklin D. Roosevelt had thought that this declaration would one day convey a significance similar to the Declaration of Independence adopted in the same city 168 years before.

More recently, in 2004, the members of the World Commission on the Social Dimension of Globalisation, established by the ILO, already emphasised that the global imbalances to which a model of globalisation based on the belief that the market could solve anything were "unacceptable on the ethical level and unbearable on the political level". François Périgot, member of the Commission and former President of the French Employers, was then mentioning the need for an "ethical re-foundation of capitalism". And just recently, in June 2008, in Geneva, three months before the bankruptcy of Lehman Brothers, the International Labour Conference adopted by unanimity the ILO Declaration on Social Justice for a Fair Globalisation. Expression of the contemporary vision shared in the framework of the ILO's mission, this declaration places social justice and the goal of decent work at the centre of economic and social policies in view of a human and fair globalisation.

The scope of the international economic crisis calls for a re-foundation of globalisation in its whole. The ILO is ready to do its part of the common effort and be a master piece of the new institutional architecture to be created. In a world in which the challenge lies more in the ability of persuasion rather than the ability to compel, ILO's tripartite structure gives it a capacity of persuasion unequalled among other international organisations. It gives in particular a unique legitimacy and moral authority to all of the adopted guidelines and standards, in so far as they are the product of the confrontation and conciliation between the viewpoints and the interests of the actors concerned, on the basis of a representativeness unequalled at the international level. Tripartism grants, in addition, to the orientations defined by the ILO a strong credibility, both with regard to economic effectiveness and social fairness, as representatives of employers and trade unions participated to their elaboration. And it enables to broaden, at the country level, the Organisation's audience and influence beyond governmental institutions to all of the employers and workers.

The globalisation phenomenon made more than ever the ILO's

standard-setting action necessary. Voluntary initiatives related to corporate societal responsibility, for instance, necessarily need a reliable legal frame of reference which is recognised by all. The ILO is the only international institution which can legitimately provide it to them. The Global Compact, launched by Kofi Annan, and intended for the business world therefore refers as for labour standards to an ILO instrument, the 1998 ILO Declaration on Fundamental Principles and Rights at Work. This declaration sets forth the four fundamental principles which are the freedom of association and the effective recognition of the right to collective bargaining, the elimination of all forms of forced or compulsory labour, the effective abolition of child labour and the elimination of discrimination at work. In a general manner, societal responsibility initiatives are very often based on this declaration.

Another ILO declaration represents a very useful tool for the business world, the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy. Adopted more than thirty years ago, then updated in 2000 and in 2006, it constitutes the only document of this kind negotiated at the international level and supported by governments, employers and trade union organisations. It defines principles with a universal scope intended to guide multinational corporations with respect to their social policy and encourage them to find, where they operate, points of convergence with States as well as with employers and workers organisations around the ILO's principles and values. It can serve both as a framework for the development and the exchange of good practices.

The 2008 Declaration makes a new step and opens multiple ways to innovation and the creativity of all actors of an expanded world governance. With a wider scope, this declaration provides to leaders, decision-makers and all stakeholders a balanced approach, linked to people and to productive solutions at the national level, while also providing a common platform of governance at the international level. It opens the way, at the same time as it prompts the development of new partnerships to contribute to the re-establishment of a human dimension into globalisation.

Very concretely, it provides a framework and guidelines for voluntary initiatives by companies ready to support national strategies of implementation of the Decent Work Agenda.

The increasing commitment of corporations into societal responsibility is the symptom of a more general phenomenon, that of the increasing incapacity of States to assume their own responsibility in that regard. This kind of interventions on the part of multinational corporations constitutes in fact an ad hoc response by private actors to face the erosion of national legal frameworks and weaknesses of the institutional capacity of States. The development of these initiatives illustrates the worsening of the situation and the urgency there is to reverse the tendency. The assessment is today largely shared, in particular between social partners at the international level, that it is necessary to engage concrete efforts to remedy the institutional deficiencies of States and provide a solid frame of action to non state actors. Companies, as well as trade unions, have a lot to learn from the foreseable nature and stability of legal and professional relations, which depend in fact of the capacity of States to comply with their obligations. The well-understood interest of the business world would therefore be to uphold the ILO's efforts in providing assistance to States in strengthening their capacity to assume their institutional responsibilities to serve social progress. Why would private actors, aware of their responsibility towards societies in which they operate, not fund programmes to promote decent work?
The exceptional scope of the current crisis should not make us forget that there was already a crisis before the crisis. Crisis characterised by a massive poverty in the world, increasing inequalities within countries and between countries, an increasing distortion of income-sharing for the benefit of capital and to the detriment of labour. In view of the crisis, we cannot be satisfied by fragmentary and isolated initiatives, whose objective would be to re-establish at the soonest the previous situation. The objective is to tackle structural imbalances underlying the crisis. It is high time to reaffirm the primacy of human beings and the importance of labour. As recalled by the Declaration of Philadelphia "labour is not a commodity" and "Poverty anywhere constitutes a danger to prosperity anywhere". Never before has the necessity to implement the goal of decent

work at the international level become so pressing. What used to be a wish shared by an increasing number of actors has become an imperative. It is within this perspective that the ILO proposed a World Compact for Employment which while counteracting the immediate effects of the crisis on employment, tackles the main factors which contributed to the crisis and lays the foundations of a sustainable economic development.

The global economic crisis which we experience is the crisis of a model and a belief. A globalisation model based on the belief in the capacity of the market to solve everything. A model based on the obsessional search for short-term gains and in which increasing inequalities of all kinds were considered normal or even unavoidable. A selfish model based on "every man for himself" and the notions of "winners" and "losers". A model with no bearing on the notions of solidarity and social cohesion. The time has come for a re-foundation of the governance of globalisation in its whole. Not only of financial regulations. The failure of the current model calls for the construction of a new institutional architecture at the international level. This is the responsibility of all actors concerned: political leaders and international organisations, but also the business world, trade unions and civil society. The current crisis can and must lead to the emergence of this new global governance to give a human dimension back to globalisation and progress towards a sounder global economy, likely to uphold a sustainable economic, social and environmental development.

Ethics – A stage of societal responsibility

Beth Krasna
Independent board member

Approximately five years ago, ethics came out of religious and academic circles and began to be debated in the public domain. Defined as the application of morals, the way to behave in society, it has become a buzzword, taken up by all kinds of groups or communities of interest, and sometimes used inappropriately.

The reasons for this democratisation are many. The loss of influence of all sorts of recognised moral authorities (parents, Church, politics, etc.) and the challenge of traditional doctrines have probably played a role. As ethics is closely linked to culture, globalisation and immigration have also contributed to the questioning of precepts usually taken as given. The trends of the younger generation and educational principles towards an increased permissibility and autonomy combined with a tendency towards the lowering of the legal age of adulthood makes the imposition of strict rules of conduct almost impossible in our liberal and heterogeneous societies. The increasing participation of the population at all levels leads to the need for co-option of behavioural rules by the actors of the different groups and in this sense the debates on ethics in various domains can only be positive and welcomed.

In 2004, the seminar Thinking Ethics in Geneva had the ambition of launching this debate and this democratisation of ethics by dealing

with five subjects in parallel. The question put to the participants was to project 10 years hence the evolution and to think of the drivers of potential changes of the following issues: "ethics and performance", "ethics and knowledge", "ethics and consciousness", "ethics and disobedience" and "ethics in real time". All groups came to the conclusion that we will have to manage with a mix of the following elements: legislation, regulation, transparency, education, peer pressure and consumer power.

In society today we observe an interesting phenomenon: the de-responsabilisation of the individual, who claims more rights but less duties and less individual accountability, while expecting a greater responsibility on the part of institutions. Not limited solely to the organisations which operate for the public good, this expectation on the part of society towards organisations extends to the business world and translates into social responsibility actions of a more or less public nature. This has brought about successive changes in the reports published by listed companies: first we observed a pressure for a greater transparency in annual financial reports, then the publication of environmental reports which covered the safety of employees and products, as well as the impacts and actions on the environment. And two or three years ago, social responsibility reports became popular. Models of social responsibility go from the mere exercise of public relations, to the establishment of charters, their extension to suppliers, and finally culminating in new "business models" which will give a definite advantage to some enterprising companies. But it is not sufficient to release a nice report and perform a few actions in the community to ease one's conscience. One must live one's stated values and transmit them to one's employees, but also to suppliers and partners. The need for the training of employees on desired values and behaviours is taking on more and more importance, because a single blunder by a single employee may tarnish in a substantial manner the name of the company (as in the case of Jérôme Kerviel at the Société Générale). Several companies now require for all their employees an annual training on ethics and values, and this repetition allows them to fix the values in their corporate culture.

With Internet technology, blogs and cameras in mobile phones, any difference between reality and the report can be recorded and broadcast to a large public, with a negative impact on the credibility of the company and its brand. Organisations must therefore live what they advocate, else they risk to see their reputation tarnished in real time. Employees have now become in a way the guarantors of their employer's reputation.

Reports on societal responsibility are formalised and published. They are often drawn up and drafted by a small group and read without major interactivity by the employees and shareholders in a passive mode. However, as investors and consumers request information on practices carried out by companies, we observe the emergence of several ranking companies in the field of ethics such as Covalence SA in Geneva (www.covalence.ch), which bases its quotation of multinational corporations on the positive and negative perception relayed by the media, or the Danish company Innovest (www.innovestgroup.com) which lists pharmaceutical companies in relation to their behaviour in disadvantaged countries. This enables partners and interested persons to make enquiries in a self-service mode. To set-up one's own investment portfolio in accordance with ethical criteria, there is today a multitude of indices to compare ethical investment funds, such as www.gæia.co.uk to mention only one.

Still in self-service mode, there are also numerous websites such as www.ethiscore.org or www.gooshing.co.uk for consumers who want to buy products classified as ethical. We do not yet see a generalised standard, but these websites usually consider the company's behaviour in relation to the environment, people, animals, politics and the "sustainability" of their products. Most of these websites look at specific criteria such as the compensation of the corporate carbon footprint, the water consumption for production, the treatment of subcontractors according to fair trade principles, the use of genetically modified products and the offer of organic farming or breeding.

On an individual basis, it is also possible to fill out on-line questionnaires to see one's ethical degree and do a self-grading test in Do It Yourself mode. The "ethicability test – a moral DNA test" developed by Roger Steare, Professor of organisational ethics at the Cass Business School in London is an example to find one's place in a moral group. https://www.ethicabilitytest.org

Some media now offer blogs on ethics where it is possible to participate in a debate by contributing to the content in co-design mode. There are also some forums on Second Life: originally started as a collective contribution, the enthusiasm of the beginning has waned and there has not been much activity in these forums since 2005. The development of new grading systems, rankings and ratings in collaborative mode will probably be the co-creation model to be developed first. Let's hope that these new systems will take into account a multicultural component.

All of these examples show that the "direct ethics" model gently emerges and increasingly involves in a growing manner users, shareholders, partners, employees and customers. In a more fluid world, where social communities and communities of interest have a tendency to form and dissolve, it is necessary to define in a collective manner the rules which are valid for the group. On the Internet, this self-regulation often goes through a difficult birth, but it seems to function with penalties or the exclusion of those who don't comply. This model will probably be imported into the real world. It thus becomes very important to train the young (and the less young) in this collective exercise of definition of behavioural codes, by teaching them how to think about this rather than what to think.

Corporate responsibility

The World Business Council for Sustainable Development (WBCSD)
WBCSD is a coalition of some 190 international companies united by a shared commitment to sustainable development through the three pillars of economic growth, ecological balances and social progress. The WBCSD was created in 1995 by the merger of the "Business Council for Sustainable Development" and the "World Industry Council for the Environment" and is based in Geneva. It works on a set of issues related to sustainable development (energy, climate, the role of business in society, water, the energy efficiency in buildings and biodiversity). Among its members, we find well known companies such as General Motors, DuPont, 3M, Deutsche Bank, Coca-Cola, Sony, Caterpillar, BP, Royal Dutch Shell and Lafarge.
http://www.wbcsd.org

AccountAbility
AccountAbility is a non-profit organisation working to promote sustainable development and an efficient method to account for responsibility. Simon Zadek, its Managing Partner engaged a thought process on the steps leading to societal responsibility which can be summed up as follows:
– Defensive stage
– Compliance stage
– Management stage
– Strategic stage
– Civil stage
These five steps analyse in depth the approach followed by most organisations to reach the concept of accountability.
http://www.accountability21.net

Ethos
Ethos, Swiss Foundation for Sustainable Development, was created in 1997 in Geneva by two pension funds and is currently composed of 79 institutional investors. Its purpose is to promote the consideration of sustainable development principles and corporate governance best practice in investment activities, in accordance with the principles defined in its Charter and dialogue with companies. http://www.ethosfund.ch

Philias
Philias is a foundation whose mission is to promote Corporate Social Responsibility (CSR). Through the coordination of a network via consultancy and training activities Philias helps corporations to measure their impact on their social environment and contributes to its improvement. Philias started as an SME created in 1997 by Bettina Ferdman Guerrier with the support of the association Genilem, which helps young businessmen/businesswomen, and with the great moral and financial support of Philippe Nordmann. She was soon joined by Laurence Fabry Lorenzini and created "Entreprises in the City" (EDLC). The aim of this structure is to create solidarity partnerships between companies, their staff, and social and humanitarian organisations. http://www.philias.org

Global Reporting Initiative (GRI)
The GRI was founded in 1997 by an American NGO, CERES (Coalition for Environmentally Responsible Economies) based in Boston and the Tellus Institute. With the support of the United Nations, GRI is more particularly engaged in the UNEP programme (United Nations Environment Programme). Its permanent secretariat is based in Amsterdam and published its environmental reporting guidelines in 2000. Since then, three successive versions were made. The last one, published in 2007, is the result of a larger cooperation that includes the action of the

Global Compact. This guide for an improved reporting has since then been largely adopted by more than one thousand companies or governmental or non-governmental organisations across the world in more than 60 countries.
http://www.globalreporting.org

CERES
The Coalition "for Environmentally Responsible Economies" (CERES) is a North American organisation grouping together 70 NGOs. Launched at the beginning of the 1990's, the CERES principles are a ten-point code of environmental conduct: protection of the biosphere; sustainable use of natural resources; reduction and disposal of wastes; energy conservation; environmental and health risk reduction; environment safe products and services; environmental restoration; informing the public; good management practices; audits and reports.
http://www.ceres.org

Caux Round Table
The Caux Round Table, where European, Japanese and American business leaders gather, is committed to support, in a world in deep mutation, the initiatives of industry and business as the vital force towards innovation and change. Founded in 1986 by Frederik Philips, former Chairman of Philips, and Olivier Giscard d'Estaing, former Vice-Chairman of INSEAD, it first sought to reduce escalating tensions between economic blocs. It strives to develop constructive relations between participating countries in both the economic and social domains, and is concerned by the pressing responsibilities that these countries have towards the rest of the world.
http://www.cauxroundtable.org

Labels

Max Havelaar
Max Havelaar is one of the main fair trade companies. It owes its name to the title of a famous novel published in 1860 which denounced inequalities in trade between the Netherlands and Indonesia. Max Havelaar was created under the legal form of an association in 1988. Its objective was not to fight against capitalism but to make it more human and more responsible through targeted commercial activities. By privileging producers from disadvantaged countries in the South and by suppressing intermediate agents, Max Havelaar brought consumers and producers closer together by sharing their experience.
http://www.maxhavelaar.ch

EUEB
EUEB is a governance structure of the European Union eco-labelling scheme for industrial products. The developer of the European eco-label is the European Union. By establishing a revised community-based system to allocate the eco-label, it establishes the legal bases of the system. This optional system does not apply to food, drinks and medical products. EUEB's main task guarantees for each category of product, a balanced participation of all parties concerned, such as industry and service providers, trade unions, traders, retailers, importers, groups for the protection of the environment and consumer organisations.
http://www.ecolabel.be

Stock Market Indice

Dow Jones Sustainability
Launched in 1999, the Dow Jones Sustainability Indexes are the first global indexes tracking the financial performance of the leading sustainability-driven companies worldwide. Based on the cooperation of Dow Jones Indexes, STOXX Limited and SAM they provide asset managers with reliable and objective benchmarks to manage sustainability portfolios. SAM Indexes GmbH is the first operating company for the Dow Jones Sustainability Indexes (DJSI).
http://www.sustainability-index.com

The FTSE4Good Index
Financial service companies emerged as the European leaders of risk management linked to the environment, according to an index launched today by the world index provider FTSE Group. The FTSE4Good index groups together the 40 European leaders concerned by the environment, namely large and average size companies with a high quotation, and aims at investors preoccupied by risks linked to environment in their portfolios.
http://www.ftse.com/Indices/FTSE4Good_Index_Series/index.jsp

Other initiatives in the world

Geneva and microfinance
2005 was proclaimed by the UN the international year of microcredit. Kofi Annan and his long-time friend the private banker Ivan Pictet seized this opportunity to have Geneva become a place of debate, opportunities and responsible investment in microfinance. Since then world specialists in this domain converge annually on the city of Calvin to share information on progress made in this matter. Let's recall that each year, throughout the world, more than 100 million customers turn to microcredit with very high rates of reimbursement (close to 98%). These loans change the life of the families which are personally involved but also enable a higher growth in disadvantaged regions. The conclusion today is that microfinance is not charity, but a genuine responsible business.
http://www.microfinanceforum.org

Responsibility rankings
More and more independent companies like Covalence are going into ranking or rating of private or public organisations. By publishing annually (or on-line in real time) classifications, the function of these ranking agencies is to make the whole system of societal responsibility more transparent and more pro-active. As part of the range of measuring tools, "rating" plays an advanced "watchdog" role, often necessary in the emerging phases of change.
http://www.covalence.ch

Accountability

It is necessary to establish a societal responsibility system in companies, governmental or civil society organisations like NGOs. But what is essential now is to be accountable of one's conduct in a formal manner. This is the objective sought by the concept of "Accountability" which must repeatedly and constantly appear in the company's annual reports as a kind of "societal responsibility account book" on par with the company's annual financial accounts.

This change of paradigm is more than necessary after the terrible financial and economic crisis that started in 2007. Indeed, confidence is lacking not only in the financial markets but also in society. The only manner to sustainably re-establish this confidence, the basis of a developed society, is by "being held to account" efficiently. The traceability and verification of actions, their commitment to the principles laid down in the Millennium and

the Human Rights Charter, seem to be the only manner to re-establish a fairer and more confident society.

The crisis of confidence in the financial and economic system which followed the bursting of the credit bubble will be solved only through an in-depth and long-term effort.

Today, societal responsibility and accountability have become important elements to re-establish this confidence.

The debate

The world described in these pages is based on voluntary, non-binding and non-coercive collective regulations (but also on norms, standards and labels), while at the same time relying on individual initiatives. So the question of the relevance and effectiveness of such a system could be raised. Although the objectives of soft laws, in particular those related to societal responsibility, seem clear, the measure of their effectiveness is not.

How can we proceed to ensure that so many regulations, norms, standards and labels converge towards greater effectiveness? How can we compare these tools? How shall we make this system evolve? These are some of the major questions raised in view of the emergence of a world of soft laws and in particular those related to societal responsibility.

To allow a better understanding of this environment, we will base ourselves on a holistic approach of the processes. The most important at the end, is the progress made towards collective improvement, its sustainability and therefore its durability. This convergence will probably come from two complementary phenomena: the establishment of the ISO 26000 standard as the "standard of standards" and "accountability" as a structured form of societal reporting.

Definition

The term "accountability" is closely associated with the issue of societal responsibility since it refers to the ability to account for progress in terms of societal responsibility. This term slipped into the international jargon and does not have, for the moment, a formal translation into French. For this reason we used in this booklet this expression under its English terminology[10].

The concepts of "good" governance and "soft" governance require the capacity to conduct their assessment. So the world, in particular the economic world, is setting up new assessment tools. Next to classic techniques like "benchmarking", "ranking" or "rating", the measure of the capacity to be held to account (i.e. accountability) is emerging. This new assessment corresponds to a genuine need of a globalised world which seeks to implement a new manner of communicating progress made by companies, NGOs and public administrations in their daily practices in view of the moral, ethical and environmentalist requirements of society.

Therefore the capacity to be held to account (accountability) claims to be more representative of a process of improvement of behaviours rather than a frozen position contributing to a

[10] This term being used first of all as the central axis of new forms of governance directly linked to "soft governance" (see Booklet No. 1), the third part will be devoted to this debate.

kind of instantaneous radiography of an organisation's societal behaviour. The holistic character of the phenomenon is central to the understanding of this term and what it represents. In the fight against corruption, for example, the mechanisms of improvement and the results secured count more than the general assessment of corruption itself, at a given time. Understanding this progressive process has become essential because what is important is always the progress. Passing information to other actors on the state of things in a transparent manner, as well as being answerable for one's actions and their consequences, defines societal responsibility. Thereby defined, the use of these practices corresponds to the increasing and pressing demand by society for transparency.

The terms "societal responsibility", "accountability" and "transparency" are therefore closely related to each other and together represent the tools available for the new governance of companies, NGOs but also public administrations. These measures are essential in so far as the nature of most of the new international laws, norms or standards is that of "soft laws", meaning voluntary and non-binding laws, therefore without any compulsory component. The measure of the concept of accountability would allow to verify "fair" behaviours in a voluntary manner. As a binding law cannot be applied on behaviours, we replaced the secular code of conduct by a process of continuous improvement of behaviours which prefigures a major change of paradigm.

Categories of accountability

Some experts[11] have proposed to classify the concept of accountability in eight different fields of application. This allows for better understanding of the importance of the application of this concept in domains as varied as politics, economy or public relations. A brief outline of these domains is as follows:

Politics

Elections and voting are the opportunity used by politicians to be held to account by citizens during public meetings for their actions and programmes. The media and, more and more often, blogs are the continuous and permanent reflection of the transparency of their acts.

Administration

Administrations often account for their actions through internal or external audits carried out by professionals. However, generally, they have scarcely developed tools for permanent internal "reporting" to the population. Independent think tanks sometimes play this role of control.

Legal system

Jurisprudence, case law, implementing regulations, etc. form part of the accountability tools available to the legislative body. In Switzerland, the popular referendum and initiative are tools of

[11] B. Stone, O.P.Dwivedi, J-G Jabbra. See bibliography.

the civil society to influence or attempt to influence these same decisions.

Economy

Societal responsibility is defined as the capacity of companies to be held to account before society in its whole and not only before its shareholders.

NGOs

With the growing political power held by NGOs today, there is a strong pressure for them to increase their transparency to be held to account by their multistakeholders.

Liberal professions

Medical practitioners, lawyers, notaries public and other professions are confronted in their daily life with a societal responsibility which is often dictated by the moral or ethical aspects inherent to their professions. Today, they have at their disposal few indicators enabling them to transpose this fact for a greater transparency of their actions.

International organisations

At the heart of multilateralism, United Nations intergovernmental organisations are more and more often subject to challenges regarding the effectiveness of their work in the original missions assigned to them. The question of their capacity to be held to account is now largely part of today's debates.

Recent evolution

With the dazzling development of international or regional "soft laws" in the past decades, the capacity to be held to account (accountability) has been retained as the response to the follow-up and reporting on their application. Indeed, the more a rule, a norm or a standard is based on voluntarism and the absence of constraint, the more the necessity to be transparent on the reality of their implementation is felt. As accountability itself is voluntary and non binding, it is necessary to edict new "soft" rules for behaviour and benchmarking. All of the measures established have, as time goes by, become more complex and appear today as a heterogeneous and outwardly not very efficient collection .

However, two phenomena are currently improving the structure of this system:
- The AA1000 standards series prescribed by the Institute of Social and Ethical Accountability in London.
- The ISO 26000 standard currently developed by the International Standard Organisation in Geneva.

These two standardisation norms will organise a common vision of societal responsibility and of the means to account for it.

Furthermore, the increasingly recognised action of the "Global Compact" as an organisation for the promotion, information and exchange of good practices will in the future accompany the establishment of these standards.

To sum up, the recent evolution is equiping itself with two elements necessary and sufficient to successfully assess the performance of progress thanks to a range of norms or standards and an evaluation organisation. Public opinion, which is still not well informed, remains unfortunately in a relatively passive position.

Issues covered by accountability

Due to the globalisation of governance, governmental and inter-governmental organisations, NGOs and companies became the subject of heated criticism for their lack of transparency and incapacity to account for their actions to the different stake-holders (multistakeholders) in society. Today it has become imperative to account for one's actions to one's own stake-holders: shareholders for companies, voters for governments, sympathisers/members for NGOs but also all other incumbents (multistakeholders) affiliated and involved in the various global processes.

This distinction is fundamental to understand the emergence and development of the concept of accountability because from now on reporting is intended for all existing actors and not only the "owners" of an organisation. This change of paradigm between "shareholders" and "stakeholders" has therefore prompted the creation of this new accounting tool.

But which subjects should be assessed?

There are mainly four of them and the major issues concerned by this approach are the following:
- Human rights
- Labour standards
- Environment
- The fight against corruption

These four themes are themselves grouped together in ten principles forming part of the Millennium Charter which have been promoted by the Global Compact programme, namely:

– Principle 1: Respect and promote the Human Rights Declaration.

– Principle 2: Ensure there is no complicity in any human rights abuse.

– Principle 3: Respect freedoms of association and trade.

– Principle 4: Eliminate all forms of slavery and forced labour.

– Principle 5: Abolish child labour.

– Principle 6: Abolish all forms of discrimination.

– Principle 7: Promote an approach respectful of the environment.

– Principle 8: Promote actions for an activity respecting the environment.

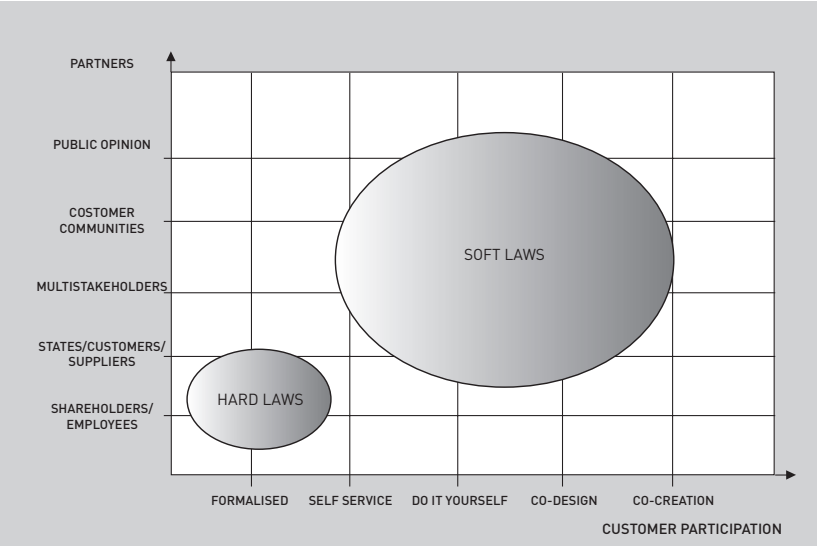
– Principle 9: Encourage and develop "clean" technologies.

– Principle 10: Act against all forms of corruption.

On the basis of these principles, the Global Report Initiative drafted a set of documentation to assist and provide guidance to organisations as well as companies in the drafting of their annual report.

Accountability as a tool of societal accountancy

Stuck between the legal and law-making systems (hard laws) and the legitimist circle of influence of socially responsible behaviours (soft laws), companies must today develop a new reporting tool based on the concept of accountability.

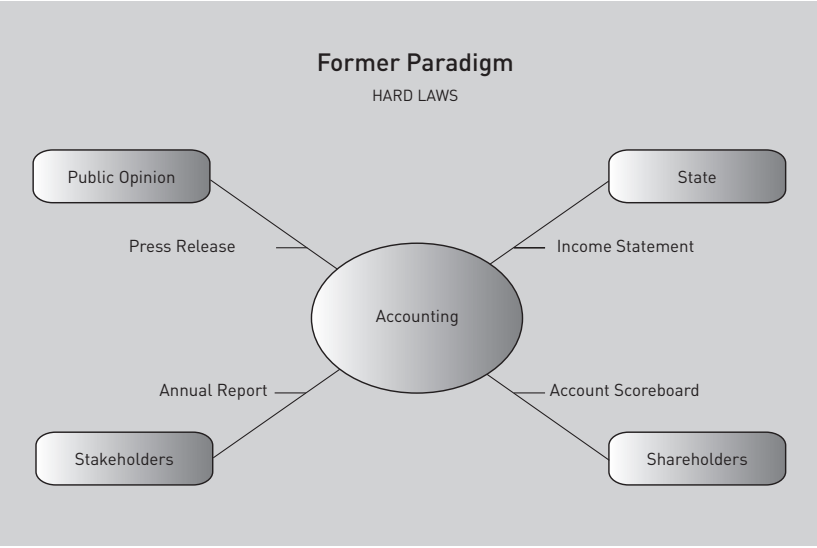


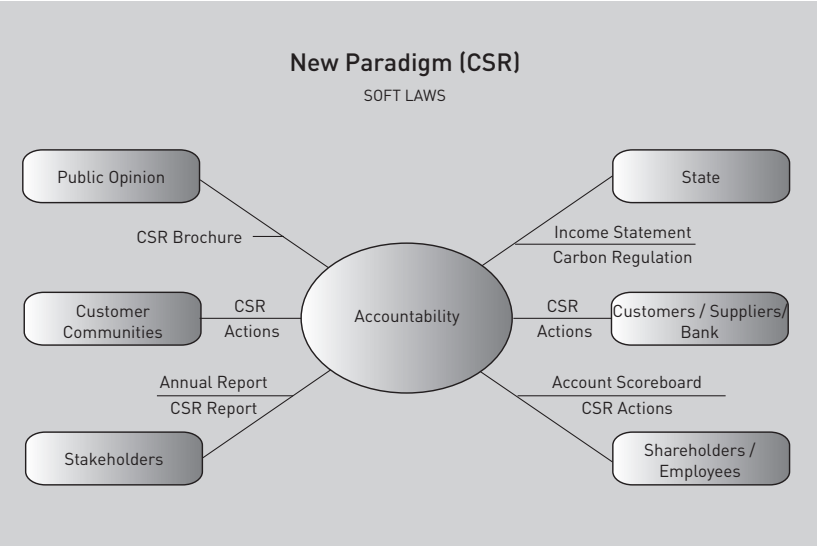
The chart above shows the scope of soft laws and the new behaviours (often yet to be invented) which companies must now face.

This new reality pushes companies towards a paradigm change which now involves maintaining two types of reporting:

– Financial accounts in various forms (general ledger, profit and loss statement, score board, financial plan, etc.)
– An accounting for their actions, such as the progress accomplished year after year in the area of societal responsibility.

The two following charts describe this paradigm change by putting the emphasis on the corporate stakeholders (multistakeholders) and the kind of information provided to them.




New Paradigm (CSR)
SOFT LAWS
Public Opinion
CSR Brochure
Customer Communities
CSR Actions
Annual Report
CSR Report
Stakeholders
Accountability
State
Income Statement
Carbon Regulation
CSR Actions
Customers / Suppliers/ Bank
Account Scoreboard
CSR Actions
Shareholders / Employees

Change of paradigm

While the contractual world of "hard laws" arising from the law-making and legal systems of sovereign states and formal international agreements is well-defined; this is very different in the world of "soft laws".

On the one hand, laws dictate behaviours and define the penalty in case of failure to comply while on the other hand, soft laws push for a voluntary change in behaviour without any visible penalty. In reality, the market, in the broad sense of the word, will sanction all improprieties in an often radical manner. We talk of moral constraints to designate this phenomenon.

The example of the voluntary introduction of the European higher education certification system (Bologna process regulating Bachelor, Master, and PhD degrees) which has been brought about as a soft law, has shown a formidable effectiveness in its implementation. Indeed, universities which were late in the implementation of the process were rapidly sanctioned by the students themselves who refused former non-Bologna conform diplomas. In this case, the market has regulated the system better than any binding law could have done (hard law).

As for societal responsibility, since the appearance of the Global Compact (2001) issued from the Millennium Declaration, there has been an acceleration of the implementation of reporting tools by companies, NGOs and governments as well as an apparently

disorderly multiplication of systems of action. In our eyes this situation is temporary, as ISO 26000 will bring about a certain convergence.

However, we will have to be patient as the paradigm change is huge. Private and public organisations will have to integrate the idea that the "shareholders" are not the only ones in charge. The world is evolving towards a multiple responsibility led by "stakeholders" and others, for whom reporting takes on a completely different meaning.

Sais more simply, while financial accounts fulfil the reporting need in the old world of hard laws, this is no longer sufficient in the world of soft laws. For this reason a new type of reporting sometimes designated under the name "accounts 2.0" is being set up, which includes all of the relational reporting with the new actors or stakeholders of societal responsibility.

To sum up, in the short term a private or public organisation will have to account for its actions using two types of systems. On the one side, the holding of traditional financial accounts will continue and on the other side the accountability system will become more generally accepted to respond to this new requirement.

The «second» globalisation

We often talk of the "second" globalisation to designate the globalisation of telecommunications. The digitisation of human activities by the computer industry combined with digital telecommunication has created completely new conditions in human, commercial and industrial relations at the level of the entire planet. Internet and mobile phones have, for example, radically modified time and distances. This evolution has consequences both on the complexity of the world and on its transparency. It is therefore now almost impossible to escape civil society's attention! This fact forces governments, companies and civil society organisations to exert a greater responsibility on their actions. And thus the "second" globalisation tends to develop a standardisation of entrepreneurial behaviours and activities. This is precisely the objective of the ISO 26000 standard.

We can interpret the "second" globalisation as a societal system of integrated multiple relations which is spreading at the global level. Whether it is unilateral, bilateral, multilateral relations or even relations involving multistakeholders, the common fact is that they are becoming more and more complex and spreading to the entire planet.

The system represents then a set of relational rules which have reached such a level of complexity that it seems to escape any control. We might even think that the system evolves without governments being able to keep a hold over it, which gives the

impression, notably to the citizens, that the system and therefore globalisation are chaotic. Yet, despite this apparent situation, the system is continuously searching for a new equilibrium and gives an impression of continuous progress. This general impression which oscillates between "a good forward motion" and a "random functioning" is probably related to a lack of understanding of the system itself.

Let's attempt at this point a systemic explanation. If complex systems are characterised by the fact that they are more than the mere addition of their components, then there exists rules and principles of interaction between parties of the whole which make the systems evolved in a complex manner. As a consequence, the mere study of sectorial moves can never explain interventions in their entirety.
Let's take the example of the current global crisis. We can, as some writers put it, accuse one sector of the society or another of being the guilty party in this crisis. The non exhaustive list of the potentially guilty is long: the irresponsibility of the American consumer with a debt in the real estate sector and a buying frenzy or else mortgage loans; the securisation of mortgage; financial mathematics; derivative instruments; financial credit products; the FED or other central banks; financial rating organisations; the chronic deficit of American foreign trade; the budgetary imbalances of the American administration; the boom of Spanish or Irish construction; the blindness of some investors; the lack of understanding of buyers of financial products; the over or under regulation of the markets; the pressure of developing countries such as China; the labour market; the sovereign wealth funds; etc.. Sometimes even points of view and analyses which are diverging on the crisis, finally converge successfully. A single constant remains: that of having isolated the one or other of those guilty from one or several sectors but without ever disclosing the complex links of the system. However, each of the actors or each of the orientations taken individually never could set off by themselves such a flood of dysfunctions. They have all contributed in one manner or another to the crisis without necessarily being its unique trigger. It is then at the superior level (the whole) that the flaws of the system must be identified.

The point of view defended in this booklet, is that rules of superior behaviour like societal responsibility have failed to stabilise the system which was subject to stress. The text of Ivan Pictet in the postface finally confirms this thesis and mirrors the thesis developed by Pascal Lamy in the preface on the necessary neutrality of regulations whether they have been laid down by the private or by the public sector.

And so a solution is being developed. We can assume that the ISO 26000 standard will play a similar role in terms of harmonisation and stabilisation of the system as was the case with the previous standard (ISO 9000) for quality management of goods and services. Indeed, this last standard has made it possible to guarantee world-wide since the 1980s and 1990s a quality sufficient to promote trade and global commerce. Though voluntary, the ISO 9000 standard was adopted by several million companies enabling an important continuity of the quality of production and enhancing the confidence factor at the global level. When standards or regulations are complied with by entire groups of partners independently of their sector of activity or their region of origin, the entire system gains in effectiveness and durability. By laying down neutral long-term behavioural regulations, at the level of the global system and not in a purely sectorial manner, societal responsibility might provide a greater stability to the whole world. This does not exclude the necessity of regulations by branch or region but it is indisputable that a global vision of stabilisation based on responsible behaviour will introduce a real change.

Therefore, modern individuals and companies have two very different tools at their disposal to regulate complex systems. One acting on sectorial framework conditions and the other on the evolution of global processes.

Let us take as example the ISO 9000 standard on the quality management of companies. This was a huge success and which responded to the needs of the "first" globalisation, that of the spread of companies implanting themselves throughout the world. We observe that this soft law, voluntary and non-binding, has had

the effect of establishing a convergence of industrial practices at the global level and led, as a consequence, to a greater economic stability. By guaranteeing a greater quality to the majority of international corporations, we reached a higher level of balances in terms of quality agreements, without having to change the pillars of trade. Herein lies precisely the strength of soft laws. They act, as a consequence, to regulate a process of change in the pursuit of new and globally more stable equilibriums.

Similarly, ISO 26000 on societal responsibility will undoubtedly drive the complex system of national and international relations between the different actors (multistakeholders) of the world towards a higher level of stability by guaranteeing responsible behaviour among public and private institutions.

Henceforth, without ignoring the importance of sovereign laws or hard laws, we must pay a particular attention to soft laws as a tool for promoting convergences and therefore the stability of the complex systems in the making.

Thus the major challenge today is the understanding of the mechanisms of development, implementation and transparency of these very particular laws, as well as the reporting and the information provided to the stakeholders and the civil society (accountability).

Postface II

The solution to the financial crisis will involve socially responsible investment

Ivan Pictet
Senior Managing Partner, Pictet & Cie
Chairman, Geneva Financial Center

With its two strategic poles – the important financial centre and the high concentration of international organisations, Geneva is called to play a key role in the development of a fairer, more stable, more solid and more sustainable international economy. By promoting sustainable development within these two poles and through socially responsible investment (SRI), we will be in a position to contribute to solving the deepest global financial and economic crisis that most of us have ever experienced. And also to prevent future ones.

The violent collapse of stock markets clearly raises the question of the legitimacy of the "extra-financial" analysis – meaning an analysis other than the purely financial one because taking into account the criteria of sustainability in investments. Indeed, has the current crisis not brought evidence that such criteria were not merely a luxury but rather an essential insurance which might have protected us against the worse damage caused by the crisis?

After all, nobody can deny that at the origin of the crisis we find practices that are both endemic and incompatible with long-term objectives. As an example, let's take shareholders' requirements

for an immediate profitability within companies - antinomic in a disadvantaged economic context -; the frenzied distribution of credit to insolvent actors; direct incentives for irresponsible risk taking; or even insufficient corporate governance practices contributing in addition to the concealment of underlying disasters.
Socially responsible investment – which promotes the best corporate governance – allows for the sanction of these professional drifts. Is this the ultimate justification of an ESG investment? Yes. Because actively promoting the good practices of governance at the environmental and social level – within the companies as well as within all of the economy – remains, in last analysis, the most effective protection that we might "buy" against a destruction of value as important as that observed during these last months.

The word "buy" has been chosen purposely. We must indeed consider SRI as a kind of "insurance premium", that is to say an investment into the stability of our economic and financial system. Like the insurance against a damage, a sustainable investment strategy presupposes the payment of a premium and may therefore – at least in the short term – incur a certain cost. Unfortunately, the less sustainable the economic system, the higher the cost.
From the investor's viewpoint, individual as well as institutional, giving up the maximum proceeds that an investment may yield and accepting a slightly lower profitability seems to be a bad decision. It is however a sacrifice which might deserve to be made if we want to protect ourselves effectively against a catastrophe scenario: that of a generalised and massive correction of the economy as well as of financial markets, which would not only affect the bad corporations at the origin of the chaos, but also all of the actors.
Yet, as long as the number of investors in SRI remains limited, it will not be sufficient to identify the best corporations from an ESG viewpoint and invest into their shares. What we need is a new code of investment and a global effort on the part of investors as well as economic actors to bring about the desired changes.

Investors form a sort of economic group with a common destiny and we must ensure that some mentalities change. Whereas ephemeral investment successes can be realised by exercising an excessively strong pressure on companies, in the end the effect is

perverse. Indeed, these companies will take more risks and might be brought to resort to irresponsible business practices, bringing all of the investors, employees, management and customers to disaster. Such a dilemma comes under the game theory: if a "freeloader" can benefit ephemerally from a short-term situation, then the whole group of investors will suffer when the number of "freeloaders" becomes too important.

The problem is well-known in biology. Within a population of birds, individuals who mutually help each other to eliminate harmful parasites from their feathers must pay the price by taking from the time they might normally use to look for food. Freeloaders with clean feathers but who do not return the same favour to the other birds take on weight and become more competitive. However, should the number of profit-makers go beyond a certain threshold, then there are no more altruist birds and all of the population in the end dies of its parasites.

For the investor, giving up the maximum profit that may accrue in the short-term while aiming for a more reasonable growth in the long term seems not only desirable from a standard point of view, but also more rational, because this encourages an economy which is globally more stable and sustainable for companies, for investors, and finally for society in its whole.
While the responsibility of individual investors towards the financial community and the economy in its whole cannot be ignored, nor should that of the different financial communities be ignored. Within this context, the Geneva financial center corresponds to an organised concept of "common destiny", covering a geographical group of investors.

The first advantage of the Geneva financial center is the rank it occupies at the international level. According to a study made by the City of London, "The Global Financial Centres Index", which lists the fifty principal financial centres of the planet, Geneva ranks 7th in the world, just behind Zurich and Frankfurt.
Geneva is recognised not only for its banking and wealth management skills but also because it occupies an important place in the field of raw materials trade finance. As an example,

today two-thirds of the world's free oil and 75 % of the world's free rice are negotiated from Calvin's city. This "commodity trade finance" activity constitutes therefore another domain of excellence of the Geneva financial centre. Geneva thus plays a fundamental role within trade at the international level. An ethics of finance and investment appears in that regard indispensable to ensure the well-being of numerous populations and sustainable development in its whole.
Let us recall that Geneva is also traditionally a world recognized network hub for the organisation of the cooperation between States and international diplomacy. Since 1863, when Henry Dunant and a few other citizens from Geneva created the International Committee of the Red Cross, Geneva has never stopped standing out as the city of peace and of major international negotiations.

Today, Geneva is host to more than two hundred international governmental and non-governmental organisations, a great number of them being directly linked to aspects of sustainable development. Namely, among the most important ones: the United Nations Office (UNO); the United Nations Conference on Trade and Development (UNCTAD); the International Labour Organisation (ILO); the World Health Organisation (WHO); the High Commissioner for Refugees (UNHCR); the International Union for Conservation of Nature in Gland (IUCN) or also the World Trade Organisation (WTO).
The latter plays a crucial role since it regulates trade relations between developed and emerging countries. For in an ever more globalised world, the rules to which trade relations and exchanges of goods and services are subjected constitute the most powerful driving force of sustainable development.

Therefore Geneva as a centre is a major player in the promotion of the values of sustainable development as the solution to the current global financial crisis. On the one hand, financial contractors are called to develop intelligent management products and services, oriented towards durability, by largely integrating the aspects of sustainable development. On the other hand, the promotion of increasingly stronger ESG values within international organisations shows a genuine awareness of these challenges.

Synergies between this pole of the Geneva financial centre and that of international organisations will naturally tend to increase, like the Principles for Responsible Investment (PRI), another global initiative based in Geneva and which aims at promoting the UN Global Compact principles within the financial industry.

In the current context, it is therefore essential that each one of us strives in our specific field of competence to go well beyond mere financial and economic precepts. The ultimate objective is to get closer to sustainable values, those which are today inseparable from the future of generations to come. Geneva is lucky enough to have strategic poles which may bring about changes which are not merely necessary today, but thoroughly indispensable. We should seize this opportunity now so that mankind can benefit on a global basis for generations to come.

ACRONYMS & ABBREVIATIONS

MAI – Multilateral Agreement on Investment
ICRC – International Committee of the Red Cross
UNFCC – United Nations Framework Convention on Climate Change
CEP – Council on Economic Priorities
CERES – Coalition for Environmentally Responsible Economics
ECOSOC – Economic and Social Council
EEA – European Environment Agency
EMS – Environmental management system
ESG factors – Environmental, Social and Governance factors
IMF – International Monetary Fund
IPCC – Intergovernemental Panel on Climate Change
GRI – Global Resource Information
GRID – Global Resource Information Database
IBE – Institute of Business Ethics
IEEE – Institute of Electrical and Electronics Engineers
IETF – Internet Engineering Task Force
ISO – International Organization for Standardization
SRI – Socially Responsible Investing
IUHEID – Graduate Institute of International and Development Studies/ The Graduate Institute
CDM – Clean Development Mechanism
JI – Joint Implementation
New ICT – Information and Communication new Technologies
UNEP – United Nations Environment Programme
NGO – Non-Governmental Organization
ILO – The International Labour Organization
WTO – World Trade Organization
WIPO – World Intellectual Property Organization
PSIS – Programme for Strategic and International Security Studies
QUNO – Quaker United Nations Office

CSR –	Corporate Social Responsability
LON/LoN –	The League of Nations
EU –	European Union
ITU –	International Telecommunications Union
UNESCO –	United Nations Educational, Scientific and Cultural Organization
UNIDIR –	United Nations Institute for Disarmament Research
WEF –	World Economic Forum
WSIS –	World Summit on the Information Society
WWF –	World Wildlife Fund

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